UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

AREOTEL, LTD., AEROTEL USA., INC., and AEROTEL USA, LLC,	)	
Plaintiffs,	)	NO. C07-1957 JLR
	)	SEATTLE, WASHINGTON
v.	)	OCTOBER 9, 2009
T-MOBILE USA, INC.,	)	MARKMAN HEARING
Defendant.	)	

VERBATIM REPORT OF PROCEEDINGS
BEFORE THE HONORABLE JAMES L. ROBART
UNITED STATES DISTRICT JUDGE

APPEARANCES:

For the Plaintiffs: ROBERT MORGAN
JEAN CURTIS
MICHAEL BURLING
JOHN KNOX

For the Defendant: SHANNON JOST
SCOTT JOHNSON

Reported by: NANCY L. BAUER, CCR, RPR
Federal Court Reporter
700 Stewart Street
Seattle, WA 98101
(206) 370-8506
nancy_bauer@wawd.uscourts.gov

OCTOBER 9, 2009 9:00 A.M.

PROCEEDINGS

THE COURT: The clerk will call this matter.

THE CLERK: CR07-1957, Aerotel v. T-Mobile. Counsel, please make your appearances.

MR. KNOX: John Knox on behalf of the Aerotel plaintiffs. I'm local counsel with Williams Kastner, and arguing today will be three attorneys from Ropes and Gray: Robert Morgan, Jean Curtis, and Michael Burling.

MS. JOST: Good morning. Shannon Jost from Stokes Lawrence for the defendant.

MR. JOHNSON: And Scott Johnson on behalf of T-Mobile as well.

THE COURT: Thank you. Counsel, let me give you three minutes of the world of Markman according to Judge Robart. My kindred spirit, Judge Rosenbaum, from Minnesota, and I, have made a cottage industry of going around the country and trying to change the way these hearings are done. Take the following for what you want to make out of it:

The first is, as a general rule, if you want to do an overview of the patent or a tutorial, schedule that about two months before the Markman hearing. By the time you get here, we will have invested, between me and my law clerk, a couple hundred hours getting familiar with the patent. It makes no sense for you to then come in and say, Judge, this is the way the patent works, when we've already put that investment in. It makes much more sense doing it well ahead of time. It would make our job easier. I think both of us are of the view that, most times, tutorials about patents are particularly worthless except in cases of extremely specialized fields of endeavor, they do make some sense then.

Secondly, you can assume that we have read everything. We have read everything with great care. So in the limited time you're given to do argument, I would urge you to do argument. Don't simply repeat what's in your briefing, because if you do, you'll notice me sort of glaze over and stare off into the distance, which is a sure sign that I probably have understood the point you're trying to make.

Third, it has become extremely popular to do PowerPoint presentations. They are completely worthless. What is of value is my questions to you and what I'm interesting in, not what you think I need to know and want to take your very scarce 10 or 20 minutes putting up in a PowerPoint presentation. And since I'm sure each of you have brought very extensive PowerPoint presentations to use, just know that you're welcome to do so. If you hear a loud snoring sound, you'll know it's coming from me.

So with those comments in mind, the way I like to do these is, you have a number of terms that we're going to define. I appreciate you getting together and coming up with an allocation of the time. I think that's productive on your part. I also think it's productive to set the order that you want them taken in. I completely agree with you that special exchange ought to go first and ought to get the most attention.

I may or may not ask questions during your time. I also may, on occasion, simply say to one side, you don't need to discuss this term, or if you do want to discuss this term, you can do so very briefly. If that's the case, don't read anything into it other than, I think we thoroughly understand your position from your briefing, which is what you're trying to accomplish. I'm simply not going to have you get up there and waste your time repeating what you've previously said.

The conclusion of this is your opportunity to give us a more global overview. One of the things that you'll often hear when judges talk about Markman hearings is the fable about three blind men and the elephant. Many times you're talking about specific terms. That's important, but you need to remember we're instructed to find them in the context of the overall patent, and it is productive for us, at times, if you'll step back and tell us all how your claim construction fits into that overrule patent, which is something that's not done in your briefing and is oftentimes not done in oral argument, and for us it is extremely helpful.

We will go until about 10:30, sometime in there, and then take a short break so everyone can get up and stretch their legs, use the restroom, and what have you.

Having said all that, it seems the first term that we're talking about is special exchange. Mr. Morgan, are you doing this?

MR. MORGAN: Yes, Your Honor.

THE COURT: All right. Please proceed.

MR. MORGAN: Thank you, Your Honor. I almost say this apologetically, but you do have a PowerPoint book up there. I might use one or two slides, Your Honor.

THE COURT: That's fine. I have no problem with you using illustrative -- my concern is when you're going to put up what is Markman, what is the federal circuit, what is the patent, and it takes a while to get there. That's not good use. Go ahead, sir.

MR. MORGAN: That's not going to happen. I'll start off, and this is important. This is an issue with respect to this whole issue of special exchange. The patent talks about two ways the system can be done. One, the system can operate from any available telephone, or two, the system can operate from dedicated telephones. And both of those are described for the patent, both types of embodiments.

Let me skip through so we don't waste your time here.

You have our definition, Your Honor, of special exchange. It's here in slide SE1. The slides are broken up into sections, and there are tabs for each section. A lot of this definition, Your Honor -- actually, all of it, by and large, is not disputed. I don't think, as we'll see in a few moments, T-Mobile disputes that the special exchange is the point of view of the calling telephone behind the exchange or equipment. That means it's reached through the exchange or equipment that first handles the call. Special exchange includes your router, computers and memory, and software to carry out the functions.

THE COURT: Let me stop you. Let's go back to the first principle. Special exchange is not defined in the patent; is that correct?

MR. MORGAN: There's words like central exchange. The distinction is being made in the patent between the local exchange and the center exchange or exchange for purposes of this invention.

THE COURT: When I'm in that situation, how bound am I by the teaching of the federal circuit that I am to use words such as "special exchange" consistently throughout the entire patent?

MR. MORGAN: You do, Your Honor. We don't dispute that it is used consistently in this patent.

THE COURT: Thank you. Proceed.

MR. MORGAN: So as I say, there does not seem to be a real dispute as to what is in our -- our definition of instruction insofar as it goes. I've got a number of PowerPoints here that I think would be repeating what is in, basically, our brief, explaining why these various elements, we believe, should be in the construction. As I say, I don't seriously believe there's a serious dispute as to that.

So we should move on very quickly to T-Mobile's construction of the term special exchange. And what's highlighted here, Your Honor, is what's really in dispute. What's really in dispute is that T-Mobile wants to, in our view, engraft onto the definition of special exchange the requirement that it be reached by dialing the telephone number from any available telephone. That's what is in dispute here.

THE COURT: Well, let's break that down into two parts, if you would. Let's talk about telephone number, and then let's talk about any available telephone.

Do I understand that your contention is that one of the deficiencies in T-Mobile's definition is that not only can you use a telephone number, but then once you are inside the special exchange, you may not have a telephone number, you may simply have a code?

MR. MORGAN: No, Your Honor, I don't think either one of us are really saying that. There are two things. One is a number. They say it's a telephone number; our view is it doesn't necessarily have to be a telephone. 411, for example, is not a telephone number. People think it is, but it is not a telephone number, but it is a number that's identifiable. When you dial 411, you get to the 411 people, but you're not dialing a telephone number. A telephone number is another meaning. But what happens with this system is you dial or enter one way or another, and it specifically talks about entering.

THE COURT: I assume you're disclaiming dialing as rotary phones only?

MR. MORGAN: Yes. We'll get to that. That's one of the terms we discuss, I believe, by Ms. Curtis. Dial can be a rotary phone, dial can be punching in the numbers, dial can be -- I've got my iPhone. There are numbers in the iPhone that I didn't put in there. I didn't punch it in. They came that way with the program. I don't punch any numbers for that call to be made. I just touch a screen and the call is made.

THE COURT: You would include in dial, then, the concept of a machine automatically dialing the number?

MR. MORGAN: Yes, sir, absolutely. And, in fact, as Ms. Curtis will note, there is a discussion of a redialer, it's called, inside the special exchange that dials a number, and nobody pushes any buttons in that thing. That's purely mechanical in the software.

THE COURT: All right.

MR. MORGAN: So you have that number. Then you have a special code, and the special code is an identifier. The patent uses the word identifying signals. And the special code is associated with an account associated with -- accounts set up with a special code, so at some point during one's use of the system, at some time that special code has to be entered and the system can say this is an accurate -- this is a correct special code, it's a valid one. It's a way of making sure somebody using the system is supposed to be using the system. And the system looks at the account that's associated with that and says how much money is in this account?

So there are two numbers that we talk about. One is the number of the special exchange, and that's how one reaches a special exchange from a phone; the other is a special code, and that's information that is sent, a number that is sent off to the system so the system can say, aha, this is a prepaid telephone call that's coming into me and I can now check, yes, this is a valid code, this is one that's been issued. You don't want somebody to be able to counterfeit or make codes that haven't been issued. And having done that, I can look, the special exchange can look and see if there's money deposited for this special code that will cover the calls that's coming in. Those are the numbers, Your Honor.

THE COURT: All right.

MR. MORGAN: Okay. So what's the issue up here? The issue is the requirement, as I say, by dialing this telephone number. And the reason we object to telephone number is because telephone number, I think nobody disputes, has a pretty well defined meaning of the word. It's a ten-digit number. It has to have an area code, it has to have the seven other digits associated with it. And that's not necessary. Like I say, 411 is a number which can be dialed and get you to where you want to go, 411 service. And second, and this becomes -- this, I think, is the real dispute: Any available telephone.

And this is why I started off the discussion, Your Honor, pointing out in the background of the invention that there are two -- two types of telephones, actually, disclosed in the patent that can be used, and the system can be of two different types: One, any available telephone system, and one is a system that uses dedicated phones; in other words, phones that can only be used with the system.

What T-Mobile seems to want to do is limit the claim to the former; that you have to have every system be reachable and be able to be used by any available telephone. And what we say to that is just a start, and this is at Slide SE16 of the tab of special exchange -- is -- and I don't want to use the term pejoratively, but it's kind of an effort to ease into Claim 23, the limitation that's not there. The limitation that is found specifically in Claims 1 and 9 and the claims that depend from them, and that's going to be important because a lot of discussion that we're going to be talking about that's -- that T-Mobile is relying upon, where Aerotel talked about special exchange, certainly from the prior cases, an SET case that they're talking about, Claim 9, which explicitly requires any available telephone. Okay.

So in addition, we're going to see that T-Mobile also relies upon things that were said during patent prosecution and re-examination, and again the devil is in the details here. It's going to be very important to see what was said about specific individual claims concerning any available telephone.

We don't disagree, Your Honor, that in making general descriptions of an overall system, that Aerotel described the system and all the possible features, which includes any available telephone in making a general, overall description of the system. But what we're going to show you is that, just as a federal circuit said, every claim doesn't have to have every feature, every claim doesn't have to cover every embodiment of the patent. So what you have is an embodiment in Claims 1 and 9 and claims dependent on them which are, indeed, limited to any available telephone and require it, and Claim 23, which doesn't require it.

Claim differentiation is important. Reading the claims in the context of each other. So what is T-Mobile to do? They try to tell us that they want to rely upon prosecution history. What they want to rely upon is these discussions in the prosecution history about any available telephone. And let me refer you -- we'll start, if you would, Your Honor, on SE18. There's a section on the tab that says "special exchange." And what they essentially seem to rely upon are statements, again, general statements about the total possible feature of the invention, and any available telephone is included.

Interestingly enough, Your Honor, when one reads those, and they are in the various exhibits actually cited, Exhibits 3, Exhibit C, Exhibit -- those are the two main ones, but others. When one reads those discussions, one thing comes through very clear that seems to be not focused on by T-Mobile. What's very clear is those discussions separate the feature of a special exchange and the feature of any available telephone.

THE COURT: Mr. Morgan, are you telling me that in the first column of the patent, when it's talking about the telephone system, the field of invention and the background of the invention, that I should ignore the language such as, "There has been a long felt need for a system in which enables making telephone calls, including local or toll calls conveniently, inexpensively, and from any telephone," and then it goes on to say, "should be able to accomplish the call from the nearest available telephone."

MR. MORGAN: No, Your Honor, you do not ignore those.

THE COURT: Does that language not apply to 23?

MR. MORGAN: No, it does not, Your Honor. That --

THE COURT: Let me talk when I talk. You're going to get in bad trouble if you do that.

MR. MORGAN: I understand.

THE COURT: Where is the legal support for your proposition that the general description of the invention doesn't apply equally to all the claims?

MR. MORGAN: Your Honor, there is further description, and I pointed it out, which talks about that this invention, and it's there on that first page, down around -- actually, 5 through 11 specifically talks about public telephones dedicated to use. Dedicated to use. Those are dedicated phones. And the same thing happens at the end of the patent, Column 6, line 6 through 8, where it talks about you can have a system that can be any available telephone, or you can have a system from dedicated telephones. And that's Column 6, Your Honor, lines 6 through 8, wrapping up the discussion. And the reason that's wrapped up is there is a whole section in this patent about dedicated telephones that can only be used with the system.

So, yes, there certainly is a discussion of that, and yes, that's important, and it's important for claims.

Now, let me make it clear, Your Honor, Claim 23 doesn't exclude a system that can be used from any available telephone. It doesn't exclude a system that can only be used with special dedicated phones. Claim 23 is a broader claim than Claims 1 and 9. The purpose of Claim 23 is to encompass both kinds of systems. Dedicated phone or any available phone or both is not limited. That's the whole point of different -- differences. There are other differences, but the primary differences between Claims 1 and 9 and 23 is that 23 is not limited, just as the patent describes. There can be a system with dedicated phones that only work with the system, there can be a system where any phone works with the system. Claims 1 and 9 are limited to a system where any phone can work with the system. Claim 23 is not so limited. It works either with any phone, or it can be a system like that, or it can be a system where it's dedicated phones. It is sufficiently broad to include both. And that is our point.

What has happened here, Your Honor, is that T-Mobile is trying to take that any available telephone and narrow Claim 23, to try to say Claim 23 can't cover both kinds. It can only cover any available telephone. But any available telephone is a limitation that is not found in that claim.

And yes, Your Honor, you look at the background of the invention, but you have to also look at other parts of the patent, including Claim 5 through 11 where it talks about public phones dedicated use by prepaid parties. So there are two aspects, two ways this system can work, two kinds of systems. Claim 23 covers both of them.

THE COURT: Before you leave, you have about five, six minutes left, talk to me about the re-examination.

MR. MORGAN: That's where I'm going right now.

THE COURT: It seems to me that that really runs contrary to the argument you're making at this time.

MR. MORGAN: With all due respect, Your Honor, it does not.

THE COURT: Somehow I thought you were going to say that.

MR. MORGAN: Yeah, and the reason is this, and I want to go back to the point I was making. It was general discussion, general discussion at the start of the -- what's called the remarks session, of the overall system, and it discussed all the possible features of the system. And what's important in that discussion is that it discussed special exchange and any available telephone separately as two separate things. All right?

Now, it is -- and I'll get to these charts in a moment and explain -- but what's important, and I'd like to go right to this, Your Honor. What matters in a re-examination is what was said about specific claims. Arguments were made, all of the features were set out, all the possible kinds of features were set out in the early discussion. Then when one deals with specific claims, what one has to do is look at -- is deal with the specific claims and the terms of those claims. You cannot distinguish prior art on a feature that's not a claim. So if you look at this chart --

THE COURT: And the two claims are 1 and 23?

MR. MORGAN: 1 and 9 and 23. We're only worried about 23 in this case.

THE COURT: I understand. But in the re-examination, 23 was a specific topic of conversation.

MR. MORGAN: As was 1 and 9, and that's why I'd like to point you, Your Honor, to this chart, SE20, that I put up, and I know you don't like charts, but I think this one is important, because what you'll see is that in the discussion of the claims, whenever the word any available telephone was used as a distinction of prior art, Aerotel made very clear it was only Claims 1 and 9 being distinguished on that basis. When Claim 23 was being talked about, that was not stated. You can see, for example, in the first one: "Moreover, like Claim 9 and Claim 1." This is the instruction to Claim 1 and Claim 23, but discussing claim -- only in discussing Claim 1 is any available telephone distinction used, not Claim 23. And more important, Your Honor, as important, as I said before, they're trying to engraft, how do they get any available telephone into this patent claim? By engrafting it onto the word special exchange. Well, guess what? Look at the distinction here. There are two separate distinctions made. These two elements are treated separately. Special exchange and any available telephone. You don't have to treat them separately if the lack of any available telephone says there's no special exchange. They treated them separately, they treated them separately in the general discussion and treated them separately here.

There's been a lot of discussion, Your Honor, about some charts that were used and some drawings that were used. Interestingly enough, those drawings -- those drawings, when they were referred to in the re-examination, were referred to on any available telephone aspect only in connection with Claim 1 or Claim 9, the two claims that didn't require. Claim 23, no reference was made to those drawings in any available telephone. Throughout the re-examination, this is consistent. This is consistent throughout the re-examination, general discussion, general discussion has special exchange and any available telephone as separate elements, separate items. When you come to the claims, the only item discussed with respect to Claim 23 is special exchange. The only time any available telephone is discussed is with Claims 1 and 9.

Now, these charts that you're able to see, they point out -- and I'll go to one right here. In fact, I'll go to right to this one right here. What they point out is, it says, "Golden Prior Art. No special exchange. Not from any phone." And then "Mearns." But you'll notice these are different. They like the first one, but not the second one, and here's why: Remember I said the special exchange is behind the local exchange? In all this prior art that's got this, paren, "not from any phone," the point was each one of these pieces of prior art has its exchange, all right, not behind the local exchange; therefore, the reason it is not -- one of the reasons it's not a special exchange is because it's not behind the local exchange. Right?

What is a corollary of that? A corollary of that is you can't reach it from any available telephone because you can't call through the local exchange. It's not saying that any available telephone is a criterion to be a special exchange. What it's saying is that if you're not behind the local exchange, if you are not a special exchange, ipso facto, you can't be any available telephone.

They're taking -- that's going one direction. If you're not a special exchange, ipso facto, you can't be any available telephone because you can't reach something that's not behind the local exchange from any telephone.

It doesn't go the other direction. Just because you can't reach from any available telephone doesn't mean you're not a special exchange. You can have a special exchange set up right behind the local telephone system and still not have any available telephone. That's what Mearns talks about.

THE COURT: Do you have the Kamil slide?

MR. MORGAN: They are actually in this joint claim chart, Your Honor, but the four slides are right here, actually, and they're in your book at SE22 and 23.

MS. JOST: Your Honor, the full presentations are in paper Exhibits B and 5 to the joint claim chart.

MR. MORGAN: These are the four we seem to be relying on, and you'll notice that three of them have no special exchange with the parentheses. The fourth one, no special exchange, and not from any phone. The reason is this: On the fourth one, yes, you can have the -- the exchange is behind the local exchange, meets that requirement, but it's not special for other reasons: It has other defects.

It also is not from any phone because it will not accept calls from any phone. It's been set up that way. The point being here, Your Honor, is that this has been distorted. I don't mean that deliberately. This has been misapprehended, I think is the word I'd use.

The whole purpose of this presentation is to show that special exchange has to amend the local exchange. If it's not, there are two consequences: One, you don't have special exchange, and two, you can't reach it from any telephone.

But that does not say that -- that's a reason in one direction. That does not say, however, that the reasons you don't have the special exchange is because it's not reachable from any telephone. And that's why when these charts are referred to, then, in the discussions, and in the discussion of the claims, this distinction about any available telephone and the chart on any available telephone is referred to only in connection with Claims 1 and 9.

THE COURT: I'll ask you this question, and then ask you to sit down. In regards to the re-examination, the Kamil '275 invention, prior art, does that apply to Claim 23?

MR. MORGAN: I'm sorry. I'm not sure I understand, Your Honor. I apologize.

THE COURT: One of the slides, not in your presentation, but in the material that we've reviewed, is that in the re-examination, the reference to Kamil '275 invention, and there's a slide similar to this, does that apply to Claim 23?

MR. MORGAN: That is in this sense, not in limiting 23. 23, as I said, is broad enough to cover a system that operates from any available telephone as well as one that does not. So in that regard, yes, it does apply. But if those slides are read to say you have to have any available telephone in the claim, no, it does not apply. But it applies generally. As I say, the claim itself is broad enough to cover both kinds of systems. That's why there's no limitation to it.

THE COURT: Okay. Then I understand that argument. Thank you, sir.

MS. JOST: Your Honor, I want to begin by focusing on the time frame of 1985, which is the time the application was filed. That's the relevant time frame for purposes of deciding what the proper construction of the claims is.

At that point, mobile phones were not ubiquitous. The inventor was not talking about an iPhone. The inventor was talking about the problem of a user who is away from his home or office telephone and is forced to rely on a public telephone or ask a friend or ask a customer if they could pay them back for the charges of a phone call. That's why the problem described in the '275 patent is how to provide for a convenient way of making telephone calls when people are away from home without shuffling through pockets of change or looking for a specially equipped phone. The invention claimed by '275-10 provides a method for making prepaid calls from any available telephone, and the special exchange is the sole key to that accessibility.

The key difference to the parties' constructions, as counsel pointed out, is that the special exchange of the '275 patent, and this is the same special exchange that appears in every claim for the patent, must be accessible by dialing its telephone from any phone. And the intrinsic record shows that Aerotel repeatedly and consistently told the patent office to distinguish the prior art that the special exchange had to be accessible from any phone.

Now, counsel has said that there is two different systems claimed in the Kamil patent, that one of them allows calls to be made from any available telephone, and the other allows calls to be made only from public telephones. I want to turn to a slide which isn't in your materials but which shows Figures 1 and 2 of the Kamil patent side by side. And if you look at them side by side, it should be 126, if you look at them side by side, Claim 23 in set C requires dialing the special exchange. And I have a blowup of Figure 1 right here. If you look at this, Block 14 very clearly says, "dialing for special service." When we look at Figure 2 -- it's Slide 114.

THE COURT: This is when everyone needs their 16-year-old son.

MS. JOST: I'm looking around for one right now. Slide 114. Well, we can look at the patent itself. The figure that describes the dedicated system discussed in the figure is Figure 2 of the patent. Figure 2 does not show dialing the special exchange. So Claim 23 simply does not reach using a public dedicated telephone. If there is a system claim for the patent that addresses using a public telephone, that's Claim 14, which depends from the system of Claim 9. But Claim 23 clearly requires -- we're not going to have that in front of us. Sorry for that technical detail. But the point is, there are not two different systems explained.

Aerotel told the PTO repeatedly in prosecution to overcome the prior art rejection of Claims 1 and 23, that the special exchange had to be accessible from any phone. In its 2001 reply action, this is what they said: To reach the special exchange of the Kamil patent, the user first dials a telephone number to access or reach the special exchange. This argument was made in specific reference to Claim 23, as you see in the lower portion, which is drawn from page 5. None of the references applied shows the claimed invention is described in Claims 1, 9, and 23.

Aerotel made the same arguments in 2002. Again, Claims 1, 9, and 23 were rejected, and at pages 7 and 8 of its reply, Aerotel told the PTO that the whole point of locating the special exchange behind the local exchange is so that it can be reached by dialing a number -- from any available telephone by dialing a telephone number. That wasn't an argument that was made only in reference to Claims 1 and 9. It was made in specific reference to Claim 23, as we see in pages 8 and 9.

Again, this is not a coincidence of the location of the special exchange, it's the whole point of locating the special exchange behind the local exchange, and Aerotel admitted that there's more than ample support in the specification for that interpretation.

Also in its 2002 reply, Aerotel explicitly relies upon its discussion of the special exchange in connection with Claims 1 and 9 when it came to the specific rejections of Claim 23, I'm on Slide 7 in the special exchange section, that Aerotel referred back to its interview with the examiner wherein it described the special exchange as being reachable from any phone. And at the end of that interview, the examiners issued an interview summary that said, "We were convinced by applicant's argument that Moller failed to teach the capability of using any phone as a special exchange separate from the local exchange." On the basis of those representations, and on the basis of the conclusions that the examiners drew, they withdrew their rejections to Claims 1, 9, and 23 based on Moller, and Aerotel acknowledged that in its specific discussion of Claim 23.

On page 18 of Exhibit G, this is the 2002 reply, Aerotel said, "The examiner has already agreed that Moller doesn't show a special exchange is met by the patent owner." And Aerotel addressed the Mearns reference, and counsel showed you some slides, I'll show you one right here, that Aerotel showed in connection with the Mearns reference.

The point that Aerotel made, and the footnote on the bottom of page 18 of that 2002 reply, is that it's not enough for the special exchange to simply be located behind the local exchange, because as Aerotel points out on this slide, the exchange of the Mearns reference is, in fact, located behind the local exchange. But it doesn't show the special exchange of the Kamil patent, because for the Mearns reference to work, the line has to be supervised by AT&T. There has to be a change at the local exchange so that it can handle the zero plus dialing of the AT&T system. The location is not enough. There has to be an ability to reach the system from any available telephone, and that's simply not present in the Mearns reference.

Now, Aerotel also admitted in prior litigation -- this is on Slide 9 -- that the special exchange of Claim 23, not of any other claim, has to be configured to receive incoming calls from any available telephone. In the NACT claimed construction report, Aerotel construed Claim 23, the language is clear, that the switch is configured to be able to receive incoming calls from telephones which are not location specific.

Now, location specific is the language that Aerotel used at times in the prosecution history, indicating from any available telephone.

Now, one of Aerotel's primary arguments is that because the language "from any available telephone" appears in the preambles of Claims 1 and 9, but not in the preamble of Claim 23, that claim differentiation should apply. This argument fails on a number of reasons. First, Aerotel admitted in prior litigation, as shown on Slide 10, Aerotel's expert reported in the NACT case that the preamble of Claim 1 simply described purpose of the invention. When he reads it in context with the entire patent, as one must do in order to construe a claim, he doesn't believe the preamble has any technical limitation. The purpose of the preamble, the general default of the preamble is that it is merely evidence of the body of the claim. It's not intended to add technical limitations, and Aerotel admitted here that it doesn't.

Now, Aerotel relies very heavily on the principle of claim differentiation, but that's a secondary principle of claim construction. We don't get there in this case. First, there are many differences between Claims 1 and 23; secondly, Aerotel has already conceded that the preamble of Claim 1 isn't a limitation. But we also have to look at the claim terms in view of both the claim as a whole but also the entire patent. And as the federal circuit has made very clear, claim terms are presumed to be used consistently throughout the patent. And I think Aerotel has conceded that there is only one special exchange of the patent.

We filed our briefing almost a year ago, actually, over a year, and there have been several federal circuit decisions that do such on claimed construction in the meantime, and I wanted to draw your attention, I have the cites on the slide, to two of them.

THE COURT: You've got about five minutes left. Let's concentrate on a different question before you sit down. I'd like you to respond to Mr. Morgan's argument that telephone number, taken in plain meaning, is a ten-digit device that allows you to reach someone, and that your use of telephone number is really inappropriate when we're talking about a signal which gets you to a particular location of 411, a series of impulses or whatever.

MS. JOST: We use the word telephone number because that's the language of both the patent and the prosecution history. The specification is very clear that the customer makes their prepayment and in exchange receives the telephone number of the special exchange. The concept of the telephone number is that this is a number that can be input by the customer on their phone and which will be connected through the local exchange, through public switch telephone number to reach the special exchange. It's a number that requires customer input, and this is pervasive throughout the patent and prosecution history. Dialing means you pick up the receiver and you enter the telephone number. You know, I don't think we would dispute that the number must be ten digits versus dialing the 411 number. The concept is this must be a number that is input by the user and is connected through the public switch telephone network to reach the special exchange. And it has to be a number that could be dialed from any phone, not just from -- and I'll use the wireless system as an example -- not just from, as in the case of the T-Mobile system, a wireless device which is activated on T-Mobile's wireless network and which is associated with a T-Mobile prepaid account. You can't pick up the phone on the bench and make a prepaid call using T-Mobile's prepaid system. I can't do it during -- using my phone because, although I shouldn't admit it here, I have a Verizon mobile phone. You can't make a prepaid call.

THE COURT: You might want to turn around and look at the audience when you say that.

MS. JOST: It's an employee account from my husband. I shouldn't admit that, either.

The point that Aerotel made repeatedly, and when you look at some of Aerotel's slides, I was looking for the Kamil '275 slide that you referenced earlier. This is at page 17 of our presentation. We're looking at 1985, and the concept is that the user picks up the receiver and dials the number. Aerotel shows it here as a 1-800 number. Does that respond to your question?

THE COURT: It does. Go ahead and wrap up.

MS. JOST: Okay. Looking at a few of the most recent federal circuit decisions, and I don't have the slide up in front of me anymore, there is ample support for a requirement that where the patent described the invention as requiring certain features, that those features need to be included in plain terms. There are several recent federal circuit cases that discuss that. I did note on that same slide, just for fairness, there is a recent federal circuit case where, contrary to this case, the limitation at issue was included in the body of some of the claims, it wasn't in the body of the asserted claim, but it was in the body of the claim that depended from the asserted claim. That's not our case. Our case here is the language from any available telephone is in the preambles of Claims 1 and 9. Aerotel has admitted in prior litigation that those don't constitute any technical limitation. And we're faced with the overwhelming support and specification, the prosecution history, the re-examination history, and the prior litigation, where the special exchange, the single special exchange for the patent, is described as reached by dialing its number from any phone. And to the extent that there is a system claimed in the patent that requires a public dedicated telephone, the special exchange must be reachable from both. That doesn't remove the limitation from its special exchange at any rate.

THE COURT: All right. Thank you. Mr. Morgan, I'm going to ask you to step back up to the podium. In order to attempt to get some comity with Judge Holwell in the telephone matter, we've delayed quite a bit. Can you point me to where in your briefing, which is now almost a year old, I guess, you make this argument on 23 it's different from 1 and 9?

MR. MORGAN: Yes, Your Honor.

THE COURT: Specifically by page.

MR. MORGAN: Yes, Your Honor. In our main brief, our opening brief, Your Honor, starting at the bottom of page 14, line 20 where it says, "In contrast."

THE COURT: Just give me the cite.

MR. MORGAN: Bottom of 14 and over to 20 -- over to 15 there. In addition, I actually follow on because we also deal with the previous cases which dealt with Claim 9, which has that clause in it. So it would be the bottom of 14, over to 15, to the start of the next discussion, balancing special exchange. And then in connection with -- in our reply brief, because that's when they, in their arguments, brought out, made these arguments. In our reply brief, we specifically talk about, starting on page 3, starting out how each claim doesn't have to have every possible feature, and then we talk about prosecution history and distinguishing between claims that have this feature in them, and then line 23, which does not, and that actually carries over to starting at page 3 through 10.

THE COURT: All right. Thank you.

Ms. Curtis, I think you're doing dialing said special codes?

MS. CURTIS: That's correct, Your Honor.

Dialing the said special exchange: Aerotel's construction of dialing the special exchange means that it's sending a signal that represents a number. If you're dialing a special exchange, you're sending a signal representing a number to cross-communication with the special exchange.

Now, T-Mobile -- and you'll note the claim language itself simply states dialing said special exchange. The language of the claim itself does not address, for instance, who or what performs the dialing. It does not say that it has to be a telephone number as opposed to some other kind of number, say an identifier. It doesn't state that it has to be done using a rotary or a dial -- a tone phone.

Now, that said, maybe the various combinations could be used, it's just the claim doesn't require it. If you look, however, at T-Mobile's construction --

THE COURT: Go back to yours for a moment.

MS. CURTIS: Sure thing.

THE COURT: It seems to me the difficulty that I have with yours is you've take the word "dialing" and eliminated it and replaced it with "sending a signal," and I'd like you to address for me, please, why I can make that leap. I mean, dialing, my dear departed mother would be happy to tell you, is something you do with your fingers. Sending a signal, is that voice command, is that not dialing the phone?

MS. CURTIS: Your Honor, there is no suggestion here that it couldn't be done a different way, but this is broader than that. And as you might remember from looking through the papers, one of the things that we point to in thespecification, is we believe the specification amply supports the possibility that dialing can be sending a signal that represents a number.

If you look to the -- let's see. It's the patent column 5, 44 through 52, and so the specification there, Your Honor, is teaching that the dialing is sending a signal representing a number. The example that we have here on DSSE2 tells us that the disclosed register of the system stores the called number that's received from the calling party and directs the redialer to dial the number.

Now, a redialer does not actually push numbers in on a keypad. Redial is part of the system, and that sends a signal representing the number.

Now, if you look at -- and you can see this on page DSSE, a figure representative of what I was just describing. So the calling party station is at 81. 82 is the regular telephone exchange. That gets you into the special exchange. At the special exchange, your inference then is the calling party has entered the called number prior to this point, and they don't have to, and we'll get to that later. It could be done once you're in the special exchange as opposed to prior. Then the register stores that number. And if the credit verification happens, then the register directs the redial to send the signal through a router and route the call appropriately.

THE COURT: Let me stop you there. Sorry to interrupt. The patent describes that as two separate steps, which, it seems to me, you've taken much together and said that's dialing. What's your justification for doing that when in the patent itself it clearly differentiates the two?

MS. CURTIS: I'm sorry, Your Honor. I'm not understanding what you mean by two steps that I've meshed into one.

THE COURT: It seems there's two steps in the '275 patent, one dialing the special exchange, which is the term that we're seeking to define here, and then a second step, which is a router in the special exchange dialing the number of the called party. You seem to take the view that those two steps are really one step and fall under the definition of dialing said special code.

MS. CURTIS: I think that's not quite right, Your

Honor. I think what we're saying here is that by including this disclosure as discussed in the specification, that we just looked at, and this Figure 3, which shows the sort of basic operation of the system, that the patent teaches that you, one, may dial by sending a signal that represents a number, because that's what -- exactly what's happening here, without pushing buttons into a keypad, that's not what the redialer does or the register.

THE COURT: Please say that again.

MS. CURTIS: Sure. I don't believe that where the teachings, as we are looking at, in the text on page DSSE2 and DSSE3, which describes what occurred within the special exchange using a register and the redialer and the router, which is 91, basically teaches, one, of skill in the art reading this patent that a signal can be sent representing a number. And you don't have to do that. The number doesn't have to be input. The system is inputting it, and the system is using a signal to do that. And in the system, that's dialing. So it teaches you broadly enough that it can be done this way. And so by importing the limitations that suggest that it can only be done one way is not appropriate. You'd be unnecessarily narrowing contrary to principles of claim construction, the appropriate construction of the claim.

THE COURT: Apparently I didn't do a good job at explaining my question. Let me try again.

Look at the actual patent and look at Figure 1, which we've got up here. I'll throw you a life preserver here.

MS. CURTIS: Just in case.

THE COURT: And the term we're interpreting is 23C, "dialing said special exchange."

MS. CURTIS: Uh-huh.

THE COURT: All right. That would seem to me to be what is labeled as Block 14, "dials through special server." Would you agree with me on that?

MS. CURTIS: I would agree with you.

THE COURT: All right. Are you telling me that dialing said special exchange also includes 17, "dial code and called number"?

MS. CURTIS: No, because -- well, there are ways, by pushing in numbers, you can input the code and input the called number. There are -- but the inputting and the dialing here can be done by sending signals, but maybe it need not have to be. For instance, we described the one example in Figure 3. There's also the scenario that Mr. Morgan referenced where hitting on the iPhone and there's just one number, and then that dials Apple's phone number for me. So I'm just hitting where it says "Apple." You just hit the touchtone and it sends you there. The system is doing it.

So dialing reflects something that the system can do, and what it is the system can do is send a signal that represents a number. So in this situation, that's what's happening. It's not to say that a system could never dial the special exchange by a user punching in the numbers, but you don't have to do it that way.

And, in fact, in the T-Mobile system, how this happens, Your Honor, is that you -- the calling party dials a called party, and when that -- and presses send. And when that happens, the identifier number of that phone number is sent along.

THE COURT: Well, yes, no, or it depends. When I'm interpreting the language in 23C, dialing said special exchange, are we talking about Block 14, or are we talking about more than Block 14?

MS. CURTIS: I'm sorry. Are we talking about 14 or 17?

THE COURT: 14 or more than 14.

MS. CURTIS: No, we're talking about 14 right now. This is a separate limitation which has two pieces and which can be done here or one here and one there, and that is described in the patent as inputting. And when we get to inputting, the way we define inputting, we believe the appropriate construction, Your Honor, is to be somewhat broader than what dialing is. Including for the fact that inputting, you could essentially go through an IBR, and the IBR could ask you certain questions that would then send you to the special exchange. Now, you're not doing the dialing then to get to -- the inputting to get to the special exchange, and you're not doing any dialing. You're just inputting something that can then use the system to get you to the special exchange, and what the system was always using was signals.

THE COURT: Go ahead and wrap up. You're out of time.

MS. CURTIS: Sure.

Another -- let's see. Telco also tries to import into the construction of dialing that it has to be the user.

THE COURT: Did you really mean to say Telco?

MS. CURTIS: No. I'm sorry, Your Honor. I meant to say T-Mobile.

T-Mobile is trying to read in the requirement that the user has to enter the telephone number of the special exchange on the touchtone or rotary phone. The plain language clearly does not say that. It just says dialing special exchange. Who actually enters on the phone or what is done once dialing happens is not something that should be read in here to narrow the claim.

Again, Your Honor, as we were describing in connection with 14 and dialing for the special exchange, the system can do it, which means that the user doesn't have to punch numbers in.

THE COURT: Well, this is the last question, then I'll have you sit down. When I'm reading Column 3, line 16 or so, it says, "Subsequently, when the acquiring party wishes to make a telephone call, which may be a local call or a toll call, he uses the nearest available telephone, removes the handset, and dials a special central office, as indicated in Block 13 and 14.

That seems to me to imply that we're doing something, which is remove the handset, which is technologically now obsolete, at least part of the time, and dials a special central office.

MS. CURTIS: What the user can do, Your Honor, they could do that, and again dialing the special system, the user, once they dial, is sending some kind of signal, but what happens is it goes through the system, the components in the system are what actually send it into the special exchange. The user does not do that. So, the user does not do that. And in the scenario where -- well, I'll stop there.

THE COURT: All right. Thank you.

MS. CURTIS: Thank you, Your Honor.

MS. JOST: To be clear, we again have to look at this claim term as of the time of the invention.

THE COURT: What's your legal authority for that?

MS. JOST: Phillips. Phillips says that the claimed term must be construed in the manner that it would have been understood by one skilled in the art, reading the claim in view of the entire specification at the time of the invention.

THE COURT: Okay.

MS. JOST: And at the time of the invention, we were not talking about T-Mobile's prepaid wireless phone service. And, in fact, it is improper to ask the court to read the claimed term in view of the accused system. It's fine to think about it in order to provide a context for the claim term, but you can't think of the word "dialing" and think about how you would dial your cell phone right now. We have to put ourselves back in 1985 when the application was filed.

And in the description of the invention, the first thing the inventor says is, when the customer makes their prepayment, they get, among other things, the telephone number of the special exchange. And we've gone through in our briefing, and I'll only touch on a few of them here, but everywhere that dialing the special exchange is discussed in the record, it means entering a telephone number. Now, Aerotel points to a couple of places in the patent where the patentee discusses a redialer. That presumes that the number has already been dialed. And maybe this was a slip, but counsel said during argument, once the user dials the phone number, it's then stored in the system and later used to send signals. Presumably, that's what our point is. The very clear, ordinary, and commonly understood meaning of the word "dial" is you punch in or you dial on a rotary phone the numbers of the telephone. This is entirely consistent with the specification and the prosecution record.

And I do want to look again at Figure 1, and it might be a little bit more legible on the blowup. But we clearly see at Block 13 going off hook and we see at Block 14 dialing for special service. That is the step that Figure 1, that corresponds to claim Step 23(d). When a user wants to make a call, he dials the special exchange. That doesn't mean whatever the system may do later to actually make the connection. We're not talking about the word "redialing," we're talking about the word "dialing." And Aerotel's construction is contradicted by all its representations to the Patent and Trademark Office.

THE COURT: I think I understand your argument, Counsel.

Who is going to argue special code?

MS. CURTIS: I am, Your Honor.

THE COURT: All right.

MS. CURTIS: So Aerotel's construction is that the special code is a code used by the prepaid calling card system. If you look at the -- in the nature of the '275 patent, a code is needed for the '275. And this element is directed to the code itself, what is the code as opposed to how the code is obtained and what it's used for, because those items are discussed in other places in the claims; for instance, in D, that's when the inputting of the special code. And then there's the checking and verifying in subsequent elements, Your Honor. So in terms of what the special code is ultimately used for, that's in later limitations, and those -- the elements in those will be construed appropriately.

In terms of how you actually get the special code, there is -- there's no -- all of this, as I was just talking about, all of these other places talk about how it's used and how the computer checks it, and you need a code in the system. If you look at, for instance, SE2, credit amount is stored. The special --

THE COURT: Would you go back to your last slide?

MS. CURTIS: Sure.

THE COURT: This is a lead-in to the point you're making right now. It seems to me that you use the word special code in the claim, and then your proposed definition drops the word special. Don't we have to have some suggestion that it's unique or special?

MS. CURTIS: In terms of the actual code, Your Honor, I think that the type of code that it is directed in -- I guess we actually do talk about the unique code in the sense that there can't be two that are linked to the same account, but it doesn't have to be the case that you have two. So it's a code, and it can only be one code. So I guess if you say it in that way, then one would characterize that as unique.

THE COURT: I agree with you that what we're doing is -- I mean, the code can't be one, two, three, and it's used by everyone, because that defeats the purpose of the invention. So in some manner, the trouble I'm having with your proposed construction is we've eliminated this idea of uniqueness or identification code so that it accomplishes that purpose.

MS. CURTIS: I guess, Your Honor, in Telco's construction -- T-Mobile's construction, I'm sorry. Sometimes things do blend together.

THE COURT: You're on the other coast. That's how you can remember this.

MS. CURTIS: The trouble is I never adjust to the West Coast all that quickly. I just got here.

In T-Mobile's construction, they would like the construction to be a unique number other than an identifier or a telephone subscribed or a telephone number; however, they never say what the unique number is. They just say "a unique number" and then draw out a few exceptions. Now, that, to me, can be viewed as overly broad. It would be the reader might say, well, what does unique actually mean here? So I think there can be a problem then in interpreting and applying this claim element if you were to follow that kind of construction.

THE COURT: All right. I understand.

MS. CURTIS: Now, in terms of what the -- you know, how the code -- how the system is talking about the code and how it's describing it is one that's used. As I said, as we see on SC2, it's saying the code -- what's happening to the code here, the code is being stored in the memory at the special exchange. If you go to SC4, what's happening here is the code is being checked. Again, it doesn't define the code. It says "the code." Whatever that is is being checked.

SC7 is again showing the customer -- we'll go back to 6 for a minute. 6, which is Figure 3, shows the code being verified. Again, it doesn't define the code, it just says gives one use of the code. And there are other elements that tell you what the use of the code is. 7, the calling party must have a code. It doesn't define what the code is.

T-Mobile's construction, which we've just talked about, would require a unique, any number other than an identifier of a telephone subscriber or telephone number, that the calling party. So we have a unique number. They're looking for some exclusions from that unique number.

They are also suggesting that the limitation be read in that the calling party inputs it to the special exchange each time he or she dials the special exchange to make a call. That's putting in an awful lot of things that are not in the plain language, Your Honor. Lots of restrictions here. The problems with these restrictions is that -- well, there's multiple problems with those restrictions.

Throughout its briefing, what T-Mobile does, other than using the unique number even exactly, there are all these places where it says what the code is going to do, but it doesn't exactly tell you what the code is, which is what the user needs to know.

THE COURT: Would I do violence to the claim term if I defined it in terms of linked to one user as a way to explain "special"?

MS. CURTIS: I would say linked to the one account, because I could give you my card and it doesn't matter that you use it. Or you buy a card and give it to your son, it's linked to your account, not to you.

THE COURT: Okay. Wrap up, Counsel. I think I understand what your point is.

MS. CURTIS: As we talked about in the T-Mobile construction, they're trying to limit the code to other than an identifier of a telephone subscriber or telephone number.

There's nothing that so limits that. And, in fact, what they point to is a passage in the prosecution history. In that passage it talks about not being the telephone number, the subscriber's telephone number. That passage, however, does not say that it can't be an identifier of a subscriber. And so many phones have information in there that identifies the user, such as in the cell situation, and that user, the identification of that user is then passed along with the signal that goes forward so that it is known that that is a prepaid account, and it knows that because it's loaded up with dollars at the front end.

One more item I think that is important to cover in connection with inputting. This is all very, very interrelated. The special code does not need to be entered each time a call is made, and in the interest of brevity, as I said, I'm happy to discuss that in full in the inputting of special code when there's a little more time on that construction.

THE COURT: All right.

MS. CURTIS: Is that workable for you, Your Honor?

THE COURT: That's fine.

MR. CURTIS: Okay.

THE COURT: Ms. Jost?

MS. JOST: Thank you, Your Honor. I think you hit the nail on the head when you commented Aerotel's construction takes the specialness out of the special code. Our construction simply looks to read the term as it was used in the patent and incorporating the prosecution disclaimers that Aerotel made before the PTO.

The special code is the key to this accessibility to the system, the number that the user inputs in order to identify the prepayment amount that's to be used to pay for a call, and Aerotel's construction would remove all of that meaning from the term.

It has to be a unique code because it has to identify only one prepayment amount. That's Aerotel's language, and that's what they used to describe the code to the PTO. The word "unique" is not a term of art. It simply means not like any other. And it can't be a subscriber's telephone number or a subscriber identifier, because Aerotel told the PTO during the initial prosecution that it can't be.

If we look at the description of the invention, it is clear that the code is provided to the user when they make a prepayment, and that the prepayment and the code are then stored in the memory at the special central office. And we can see this on Figure 1, Block 12, up at the top, you acquire the credit and the number, and the number there is the code.

Looking down further on Figure 1, we can see it -- may I approach?

THE COURT: Yes.

MS. JOST: You can see at Block 14, the user dials for special service. When connected at Block 17, the user must dial the code and the called number. And we'll talk about this a little bit in the context of Step 23(d). But it's very clear that if a valid code is not entered in Step 17, a code that can be validated and associated with the prepayment amount in Step, 18, these are bounced out. They get three tries to come back up and try again. If you follow the line from 18 to 24, three times to try on Block 26. If you don't make it, you get bounced out to start again and to reconnect to the special exchange. There's no way that you can make the call without inputting the special code.

Now, later on I'm sure Aerotel is going to talk about the method of making a call, and if you have a prepayment amount left over, remaining connected to the special exchange and not having to input the code again. But if we look at that on Figure 1, it's very clear that the user has to remain connected to the special exchange.

This would be the normal progression of the call. This code is input once the user is connected. The code is validated. If it's validated, you go ahead and the call is connected. If the user has a balance left over, at Box 34 there's a way described in the patent that the user can input a code, not a special code, another code, like a 999 or something, to hang up with the called party, yet remain connected to the special exchange. If that happens and if the user wants to make another call, we can follow this line from Box 35 up to right above 21, and the user can dial another called party. But there's no way described in the patent, and certainly not in Claim 23, that the user can avoid inputting the special code. The reason for that --

THE COURT: I understand that part. What is the special code?

MS. JOST: The special code is the unique number that is input by the caller each time he dials a special exchange to make a prepaid call so that the prepayment amount to be used to pay for that call can be identified. And I didn't include in the description I just made the disclaimer that Aerotel made. You can see it on my Slide 46 during prosecution that the special code is not a subscriber code, it's not the telephone of the subscriber. It's the number that is issued to the user in exchange for the prepayment amount.

I think our position on this is quite clear, and I won't go through all of the slides I have. I did want to touch briefly on Slide 49, which is Aerotel's depiction of the methods described in the Kamil patent to the PTO, and the point there is twofold: One, inputting the unique code is part of the sequential order of making a prepaid call. You have to do it when you dial the special exchange in order to make the prepaid call; otherwise, there's no way of identifying the relevant prepayment amount; and two, as shown on this slide, Aerotel described the special code to the PTO as a unique code. That's not a complex term. It simply means not like any other.

THE COURT: All right. I understand your argument. Thank you. Counsel, let's do one more. Let's do inputting the special code, and then we'll take our morning break.

MS. CURTIS: Inputting a special code. What Aerotel's, on ISC1, our construction, that other than the special code, the words have their plain meaning. In that this paragraph, contrary to T-Mobile's suggestions, do not require that it have to be input each time, and it only has to be inputted before a call is made. So that doesn't mean every time. It can be input once and there can be multiple calls thereafter. And it doesn't require that all the steps happen in the same order.

With respect to one of the things that counsel just referred to, and I'll put it up, is the -- it's Figure 1, and so -- and this looping that goes on in Figure 1.

So if the call is terminated by the user, then the user has the option, and right now the user is still in the special exchange, they were on a call, the call is getting timed by using the pay counter. If the call is terminated by the user, as indicated in Block 34, then the user -- and the user can, for instance, hit a special number like 999 or something like that, to terminate it. In the situation where it is the user terminating as opposed to the computer doing it, the user then has the option, as indicated at Block 35, to make another call. If the user wants to do that, then it goes up to the top and it can make another call. And they're at the normal dial tone again, and you get to dial the called party. And then you go through the process again, and this can continue happening so long as anyone wants to continue making calls or -- and/or have sufficient credit to do so.

Now, what T-Mobile says is, well, gee, you're already in the special exchange, so this teaches that once you're patched in to the special exchange, you can do this. The first thing we say to that is the teaching is broader than that.

What it is suggesting to one skilled in the art, is that there are ways to practice it in invention where you only have to enter the code once, but despite that can make subsequent calls thereafter that don't require you to go back up to the top and go through the whole process.

Now, if we go to ISC, and I'll go to ISC4 first because this is the portion of the specification where it contemplates terminating your own call, so not terminated by the system, using, say, a 999, and then you can get another call without having to redial the special exchange.

THE COURT: Let me stop you. It seems to me Claim 6 has this short circuit, which in every prepaid calling card I've ever seen was triggered by pushing the pound sign, then you don't have to go back and reenter your calling card number or whatever. It simply allows you to make additional calls. But that's missing in Claim 23. What conclusion should I draw from that?

MS. CURTIS: Well, actually, it's not, Your Honor, because if you look at Figure 2, let's go first to the patent, Your Honor, and the text specification to Column 5, lines 15 through 22. Column 5, lines 15 through 22 --

THE COURT: Hold on. Okay.

MS. CURTIS: And when you're in this environment, or -- strike that. 15 through 22 reads: Because the call can be terminated, as indicated in Block 69, either because of no more credit or by the user. So that's the termination by the user or the disconnect by the system. The user terminates by dialing a special code, for example the 999 I referenced a couple of minutes ago, or by closing the hook switch to save ten seconds when there is any more credit left.

As indicated at Block 71, the calling party is directed back to the regular dial number. Now, what's happening here, Your Honor, is for the system to be able to do that, if you take a look at Figure 2, and it shows in this situation after the call completes, you're going off hook at 72, at Block 72. It shows you going off hook. If you're off hook, it means you're disconnected from the system. And if the system can then allow you to make another call without reentering it, it means that the system must have associated your special code with an identifying number of the phone, so that when you dial the called party, you'd be routed to the prepaid with a prepayment amount associated with your special code.

So this contemplates not only a situation where you're already in the special exchange and you can keep making calls and keep making calls, but it also contemplates -- and that's when you're still on hook, so to speak, and connected.

It also contemplates off hook. And here, while they give the example of five seconds, they also talk about in the passage we just looked at on page 5, of ten seconds, the system can set that to be whatever the system wants it to be. It can be for an hour, it can be for two hours, it can be for three hours, it can be 24 hours, it can be indefinitely. And so there is a contemplation here that this can be done outside of the special exchange, and the user can keep making calls. And in this situation, the user has only entered the special code once and never needs to enter it again. So it's inputting the special code. You can do it just once.

This is also supported by -- if you turn to ISC, and this notion is described by one of Aerotel's experts, a Mr. Donovan, and if you look at ISC11, he's describing precisely this situation where, from a technical standpoint. -- okay. He testified in response to Mr. Lindvall's questions: "And can you think of a situation where that's not true?" And he says, "Yeah, I can," and what he refers to is just the kind of situation I've just described, where they're using a special code, and that is associated with a particular phone, a phone identifier, for instance, and so that any future use, the platform could use the automatic number and it would link, and then you would be connected. So you don't have to keep going back and you don't have to keep inputting the special code.

Another argument that T-Mobile makes is the special code has to be inputted by the user, and that's not quite right, actually, because I can walk into the store of the provider from whom I purchased my card, say -- this time we don't say T-Mobile. We'll say, although it could be T-Mobile, it could be Verizon. So I walk in, and I get my prepaid setup, and that prepaid little package or kit has a phone and it also has with it the associated code that is to be entered into that phone. Well, the individual in the retail store can do that for me. I don't have to do that. So that's just one example of where the user doesn't actually need to do that.

And I think there is two more points I wanted to make, one goes back to something you mentioned earlier, and I forgot to mention. But with respect to Claim 6, that's a dependent claim, and it's dependent on Claim 1, Your Honor, so that means that Claim 1 is broad enough to include Claim 6. And Claim 23 is like that in the same regard. So I'd like to make that point.

And the second point I'd like to make is that you don't have to perform -- T-Mobile is saying these have to be performed together and therefore the code also has to be entered, because these have to be done together. In fact, that's not the case because they can be done together, or as we see down at 21, it can be done separately. Where that's described, Your Honor, in the specification, is -- okay. The first iteration where they're both done at the same time is Column 3, and beginning at line 26, "When a calling party hears the special dial tone indicating the computer at the exchange is ready for him, he dials the identifying code and the called number he wants as indicated at Block 17." So that's where they're both together in Figure 1.

Then it says down at line 39: "The calling parties' pre dialed numbers are transmitted as indicated at Block 21. Of course, the system can be arranged so that the calling party dials the called party responsive to receipt of the regular dial tone." So the regular dial tone is not being received until here. So you can put the called number in here or you can put it down here. So these can be separated. It doesn't mean that this has to be done every time, and it doesn't need to be done along with this.

THE COURT: Let me ask you to sit down, but before you do that, I want to make sure I understand. Your view is that these steps in 23 do not have to be done sequentially?

MS. CURTIS: At least insofar as -- there are some that do, Your Honor, so it's not across the whole claim. But the claims that have been the focus of T-Mobile, for instance, is that Claim B has to be done -- inputting the special code and the number of the called party has to be done before Claim B.

THE COURT: Take a look at 23 for me. It seems to me that Claim B, 23(b), storing the prepayment amount in a memory in a special exchange, could be done prior to Step (a), issuing a valid special code to a calling party when a prepayment amount is deposited to the credit of the calling party.

MS. CURTIS: That's absolutely correct, Your Honor, the same way inputting the special code can be done before storing the prepayment amount, because it can happen at the same time.

THE COURT: All right. I understand your argument.

Ms. Jost, I'll hear from you and then we'll take our break.

MS. JOST: Your Honor, I'll respond first to the question that you just asked. We don't contend that there has to be a particular order as between Steps 23(a) and (b), but both of those must proceed to Step 23(d). And there's not generally --

THE COURT: Stop for a minute. Isn't the federal circuit teaching on that question that it's either black or it's white? They recognize the situation where a step may be required before another step, but they characterize the step either as sequential or nonsequential, and if you have some that need to go before others, that's a nonsequential characterization, according to the federal circuit teaching.

MS. JOST: I don't think that the federal circuit requires that all of the steps must be performed in the stated order if some of the steps must be performed in order, if that's responsive. The general presumption is that the steps of the method claim don't have to be performed in order. But when you look at the clear grammar and logic of the claim and apply common sense, there is a requirement that some steps have to be performed before others, then it's proper to construe the claim as requiring the order.

We're not taking only the full order of all the method steps of Claim 23, although I honestly think we probably could, and we have a good argument on that. We're taking on inputting the special code and the number of the called parties at 23(d) has to occur after Steps 23(a) and (b).

Now, Aerotel's position is not just that Step D doesn't have to occur after A and B, but that you can take two parts of Step 23(d), inputting the special code and inputting the number of the called party, and you can divorce those two claimed parts temporally, and there's no legal justification for that. They haven't pointed to any precedent that says you can take a step and split it temporally and then perform half that step when you perform the method claim and don't perform the other step. That's just not contemplated by the legal precedent.

Looking at Claim 23, at the steps in context, they're clearly written in a logical order. For example, in Step A, the party is issued the special code. Now, a party can't enter a code, input a code in Step 23(d), until the party has the code. So it makes common sense from the logical grammar of the claim that D has to come after A; likewise, the purpose of inputting the code through the special exchange is so it can be checked against the prepayment amount so that logically inputting the special code has to come after Step B.

Now, I want to look at Figure 2 that Aerotel's counsel spent some time in as compared to Figure 1. Looking at Figure 2, this is a figure that was described by Aerotel in the specification as reading on the method of the system of making calls using a dedicated public telephone. And as Your Honor pointed out, there is an dependent claim, Claim 6, that stems from Claim 1 that references the method of using the public telephone.

There isn't such a claim that comes from Claim 23, and, in fact, Claim 23 Step C requires dialing the special exchange when the user wants to make a telephone call. That step is simply not depicted in Figure 2. In Figure 2, we start at the top where the user purchases the prepaid ticket in Box 51, then in 52 the user goes off hook at the public telephone. There's no dialing for special service in Figure 2 because in the dedicated public telephone scenario, when you pick up, you're already connected to the public telephone.

So if we're going the take Aerotel's argument to its logical conclusion, yes, if you were using the system that might be described in Step 6 -- excuse me, in Claim 6, and you stood forever at the dedicated public telephone so that nobody's code would interrupt your succession so there wouldn't be confusion over the prepayment amount being used, you might get to make more calls without having to enter your code.

That defies common sense and is inconsistent with the steps of Claim 23 as depicted in Figure 1, which requires that the code be entered each time the party dials the special exchange to make the phone call.

THE COURT: The semantics in that question -- I want to make sure I understand your argument. Is it your contention that I go through Step A, B, C, and D in this example, and then I entered my number -- all of this assumes I have proper credit. I complete that call. I indicate to the system that I've completed that call, and the other party hangs up or I enter some code. You're saying that I need to go back and reenter my unique code prior to making the next call?

MS. JOST: May I show you on the figure?

THE COURT: Yes.

MS. JOST: The answer is yes and no. If you, in Box 34, terminate the call without disconnecting the special exchange, so by punching in 999, you remain connected to the special exchange. Then if you have a remaining prepayment amount, you may make another call. And if you follow the lines in Box 35 back up to right above 21, you don't have to enter your code again.

THE COURT: What you're then trying to communicate when you say, "inputs the special code to the special exchange each time he or she dials the special exchange to make a prepaid call."

MS. JOST: Or series of calls.

THE COURT: All right. Then I understand that argument.

MS. JOST: Yes. The other scenario is that if you hang up without remaining connected to the special exchange, then the call is terminated and you have to go all the way back up and dial the special exchange again in order to enter that sequence.

THE COURT: I understand. Counsel, go ahead and wrap up, and we'll take our break.

MS. JOST: Your Honor, we point in our briefing to the many instances in the specification of the prosecution history where the user describes the claim as we've described it. I did want to look real quickly at Claim 1 just to be sure this argument is clear.

In Claim 1, which is up on the screen, we do have the requirement that the special code be entered and that the number of the called party be input. But in Claim 1, they appear in two separate steps, Steps D and E of Claim 1. Clearly the inventor understood that if you wanted to split those steps out of the single step of the method claim, you could do so. In Claim 23, they're together in Step 23(d), and there's no precedent for divorcing them.

And then simply if we look at the construction that Aerotel submitted in prior litigation, there in the materials I've included a couple slides, I don't even know if we need to look at them, but Aerotel's prior constructions of claimed

Step 23(d) is the authorization code and the destination telephone number are input. That's the NACT case, and in the RSL case, the exact same construction.

And then Aerotel's experts in other cases also testified that there must be an order of the steps. Mr. Donovan testified, I believe this is in the -- I think it's in the Verizon case, this is Exhibit Y -- that Steps 23(a) and (b) must occur before Step 23(d). I split this onto two sides just so it's more legible. On Slide 64, you can see A and B have to occur first, then C has to occur, and then inputting -- C, by the way, is dialing said special exchange -- then D has to occur after Step C occurs. So Aerotel has conceded in prior litigation that this order has to be applied in order for calls to go through.

THE COURT: All right. Counsel, we'll take our morning break at this time. When we come back, we're going to take up the connecting term, which you've given yourselves five minutes per side on. I'm not sure it deserves that long, but you can use your time to contemplate that question while we take our break. We'll be gone for probably in the order of 15 minutes and be back out about eleven o'clock. We'll be in recess.

(A RECESS WAS TAKEN.)

THE COURT: Counsel, who is going to do connecting?

MR. BURLING: I will, Your Honor.

THE COURT: All right.

MR. BURLING: This should be very brief.

THE COURT: I'm going to hold you to that.

MR. BURLING: Directing the court's attention to Slide C1, here we set forth Aerotel's construction of "connecting." And there's probably a little additional baggage we don't really need. Really, what we're saying is the term connecting itself should be construed according to its plain meaning, and to us that would be causing a call to be completed. And there's ample -- I should say it's interesting, and Judge Holwell noted this during our hearing in New York. He said aren't we really just causing the call to be completed, and is the extra baggage here really necessary, and we'd agree with that. That's defendant's position. So rather than reading you Slide C2 through C8, which point to the support and the specification and the prosecution history for our construction, I will jump to Slide C9, which sets forth T-Mobile's construction.

And T-Mobile says connecting the calling party to the called party, et cetera, means completing a call only if the special code input by the calling party is verified as genuine at the time the call or sequence of consecutive calls is initiated.

And our response to that, Your Honor, would be that the patent -- Ms. Curtis touched upon this -- the patent discloses an embodiment in which the special code need not be entered for every call. And Ms. Curtis was directing the court to Figure 2. And if you -- if I could direct Your Honor's attention to Figure 2, it shows the calling party going off, paying for five seconds, and then going back up to Block 63 to make a call.

And as Your Honor can see, this happens after the validation step, Step 56. So for the same reason that the special code need not be inputted every time a call or a series of calls is initiated, the special code need not be verified every time a call or series of calls is initiated.

And counsel responded to this by saying, well, Figure 2 is not a disclosure of Claim 23 because it doesn't include the dialing step. And our response to that, Your Honor, would be: Claim 23 is not limited to what's disclosed in Figure 2. What we feel is important here is that the patent discloses an embodiment where the code is not verified every time a call or series of calls is initiated. And support for this and the specifications, as Ms. Curtis pointed out as well, is at Column 5, beginning about line 15, which describes the Figure 2 that I just described.

THE COURT: Figure 2, according to Column 4, line 44, says that it is a flowchart showing the use of a dedicated public telephone. What use should the court make of the term "dedicated public telephone"?

MR. BURLING: Well, it's a disclosure of one embodiment, but nothing says that Claim 23 is limited. Claim 23 could cover a dedicated phone or another phone, a dedicated public telephone or another phone. It's just one disclosure. And a person skilled in the art of reading this could pick and choose and say, well, here's a disclosure in the patent where not only is the special code not being inputted every time, it's not been verified every time, and so there's no basis for reading this limitation, which T-Mobile does, into the end of their construction. Is that responsive, Your Honor?

THE COURT: If anything, probably more than I need. All right. Thank you, Counsel.

MR. BURLING: Thank you.

MS. JOST: Your Honor, if I could respond first to your last point.

Figure 2, if it's claimed at all, this process of using a dedicated public telephone, is relevant only to the method Claim 6, which depends from Claim 1 and describes the method of using a dedicated public telephone, or the system Claim 14, which depends from Claim 9, and contemplates using a dedicated public telephone. Claim 23 is limited to what is claimed in Claim 23, and Claim 23 requires that the special exchange be dialed each time a call is made. So we're not looking at Figure 2, we have to look at Figure 1, and that clearly requires that the special code be verified each time a call is made.

Now, I was thinking during our break about the argument that counsel made looking at Figure 2, which we believe is incorrect, but about how you could make a telephone call using any phone. You make a call using the code and you input your code once, and so long as you are making calls using that phone, you never have to input or have the code verified again.

So if you took that to its conclusion -- and I don't mean the logical conclusion because I think it makes no sense at all -- say you use your friend's phone to make a prepaid call. You would then be paying forever for any prepaid call that was made from that phone. Same thing on a public telephone. If you entered your code once and if it was only validated once, and if it never again -- if those steps never again had to be performed, any subsequent call made using that phone would be charged to your account. It simply makes no sense, and it certainly doesn't comply with the explicit language of Claim 23.

Now, Aerotel's argument as to Claim 23(e) is kind of similar to the argument that it made with respect to Step 23(d). Again, Aerotel's proposed construction would ask the court to break up the parts of that step and to temporarily split them, and, in fact, to require that one be performed each time a call is made and one not.

If we look closely at the language of Step 23(e), it has two parts: The connection part, and I don't think we have a dispute about what connecting means, but connecting the call to the calling party only if, one, the special code inputted by the calling party is a valid special code, and in addition, only if the current initial prepayment amount in the memory exceeds the minimum cost of a call to the inputted number.

Now, there can't be any dispute that the second part of Step 23(e) has to be performed each time the call is made, because you can't know how much the call is going to cost until you dial the number of the calling party, and that's a step you have to make each time you make a call. You can't say that half of Step 23(e) must be performed but half of it doesn't.

As we argued in connection with Claim 23(e), there is simply no legal support for that analysis. And I won't trouble you with going through all of the intrinsic record again. I'll flip through quickly to see if there's anything we missed. But Aerotel has repeatedly referred to this step and required that both the code number be verified and the number of the called party -- excuse me -- and the minimum cost of the call be calculated.

Our Slide 75, and again we look first to the intrinsic record, but I believe the intrinsic record is quite clear, we don't have to look at the intrinsic record, but as a matter of fact, Aerotel has made conflicting representations in prior litigation. In Exhibit 74, this is the text of the claimed construction report, after the call is connected with the special exchange, after the user has dialed Step 23(c), then Step 23(d), the calling card's authorization code is input, and at 23(d), the authorization code is checked to ensure that it's valid.

If we look at the claimed construction report in the NACT case down at the bottom there, the construction is what we're looking for. The call is connected in that particular case, the special switch is verified; one, the code is valid, and two, the prepayment amount associated with the authorization code is sufficient to cover the minimum cost of the call. This is consistent with the argument that Aerotel made in the RSL case, and it's consistent with the testimony of its prior experts. There simply is no foundation in the language of Claim 23 or anywhere in the intrinsic record for divorcing Step 23(e) from the context of the claim and for splitting it and requiring that only part of it be performed.

THE COURT: Mr. Burling, I have one more question for you.

MR. BURLING: Sure.

THE COURT: Column 4, line 44, says Figure 2 is the flowchart showing the use of a dedicated public telephone. That would appear to relate to Claim 6, and Claim 6 appears to be a dependent claim to Claim 1. Do you agree with that construction?

MR. BURLING: Beg your pardon, Your Honor. You're asking if?

THE COURT: If Claim 6 is a dependent claim to Claim 1.

MR. BURLING: Yes.

THE COURT: Then is it your position that I can import from Claim 1 usage into Claim 23?

MR. BURLING: The two claims can have similar elements, yes, Your Honor.

THE COURT: Well, that's a different -- it's not similar elements. I mean, Figure 1 or Figure 2, and in Figure 2 we're talking about a dedicated public telephone, and it has a step in it that is, at least, different from what is found in Figure 1. I'm trying to determine if Claim 6 is a dependent claim of Claim 1. Can I take something out of Claim 1 and input it into Claim 23, which is the recontact to the special exchange without disconnecting and re-entering?

MR. BURLING: Yes, Your Honor, you can. If the disclosure is there, you can take something out of Claim 6, and it could be in Claim 23 as well. Again, if the disclosure is there anywhere in the specification, a person skilled in the art of reading it would say, aha, here's an embodiment where a code need not be verified every time. And so how could I limit the connecting step when we're really talking about the verification step here. How could I then limit the verification step and say it has to be done every time the call or series of calls is made? It runs contrary to what they're saying.

THE COURT: Then I understand your argument. Thank you.

MS. JOST: Your Honor, may I respond very quickly to that?

THE COURT: No.

All right. We're going to move on to prepayment amount, initial prepayment amount, current initial prepayment amount, and I'm not sure who is arguing those terms.

MR. BURLING: I am, Your Honor.

THE COURT: All right. Mr. Burling, you sprung to life on us here.

MR. BURLING: Your Honor, Aerotel's construction is set forth on Slide PA1: Areotel's construction prepayment amount, and using this step as a monetary value associated with the special code.

Throughout the specification, as we set forth in our brief and in the subsequent slides, and, again, I won't read to you, the prepayment amount is associated with the special code. They're both stored in the memory when a call is made, the special exchange looks at them and says okay, can this caller make this call. And that's set forth, for example, in the patent Column 4, lines 50 through 55, and reads, "He then dials in the secret code number as indicated at Block 54." The system checks to see if it's a valid ticket number. If it does, et cetera, he's notified of the amount of credit available in his code. So the two are linked, and the prepayment amount is just a monetary value that's associated with the special code that enables the system to work.

If we look at defendant's construction, which is on Slide PA7, defendant adds a number of limitations here that simply aren't found in the claimed -- well, first of all, the defendant's prepayment amount, initial prepayment amount, and current prepayment amount mean the same thing. If I may, Your Honor, I'll address that after I address a couple other points the defendants made.

Defendant says the prepayment amount, they all mean the monetary amount deposited by the user in exchange for a special code, the telephone number of the special exchange, and a credit against the cost of future telephone calls equal to the monetary amount.

There's nothing in the claim that says the user acquires a telephone number in exchange for a prepayment amount. And nor is there anything that requires that the amount of money spent by the user equals the prepayment amount. Rather, the claim says issuing a valid special code to a calling party when a prepayment amount is deposited to the credit of said calling party. It doesn't say that the user deposits it. It just says that it is deposited. And it doesn't say that the amount paid is deposited, it's rather it's the prepayment amount is deposited. And it's our position, Your Honor, that those two terms -- excuse me -- that prepayment amount need not equal the amount of money the customer might actually pay. There's just no basis for that in the claim.

Your Honor, if I could direct your attention to the specification Column 3, lines 9 through 14, here we have the discussion of one embodiment. It's just a general description. And it reads, "Alternatively, the credit amount, the telephone numbers, and identifying code can be purchased at sales points such as airports, hotels, rent-a-car stations, and the like. The amount paid is credited to the acquirer for use to make calls."

Here the patent is disclosing an intermediary; for example, between the prepaid telephone service provider and the user of the prepaid service. There may be, for example, like the patent says, a rent-a-car station that sells these, or a telephone store that sells these, for example. That speaks to the fact that what's credited in the account has nothing to do with what the user necessarily spends. One, whoever is running the special exchange, for example, has no idea what the user is going to spend. There's no connect there between what the user actually spends for the card and the prepayment amount.

So again, Your Honor, the defendant is trying to read into the claim what happens after a prepayment amount is deposited. Yes, the user may get a special code, but it's not necessarily in exchange for the prepayment amount itself. It could be in exchange for whatever the user hands over to that store, the cash that's actually spent.

I'm looking through my slides to see if I need to go through them, Your Honor. Your Honor, one example of how there might be a different value from what the customer actually spends and what the prepayment amount that is deposited equals is, for example, a promotional discount. A user could spend four dollars to get five dollars' worth of talking time. Again, that's contemplated in the passage that I read about the intermediary selling these cards.

Moving ahead to the terms current prepayment amount and initial prepayment amount. Aerotel's construction is set forth on Slide CIPA1, and we say these terms -- the terms current initial prepayment amount and initial prepayment amount are the amount of the prepayment remaining at the time the call is made.

And I'll direct the court's attention to Slide CIPA2, which lists Claim 23, and what the claim shows and what the patent discloses and teaches is that there is a changing value amount that's associated with the special code as the call -- as the call is made or as calls are made sequentially, and that can be seen, for example, in the connecting step, in the monitoring step, the claim is monitoring the running cost of the call; disconnecting, it's disconnected when the running cost exceeds whatever the current prepayment amount is. And most importantly, Your Honor, the deducting step. The claim discloses changing -- the changing monetary value, Your Honor, that happens as a call is made or a series of calls are made.

So looking at defendant's construction -- and by the way, Your Honor, we set off the portions of the specification in our briefing that support this. I mean, there's a number of examples that show a changing monetary value associated with the special code; for example, Column 4, lines 9 through 11, when the credit equals the used time rate, the call is automatically ended by computer, and it shows the credit amount is going down throughout the use of the invention of the Claim 23.

THE COURT: When you use the phrase prepayment amount in 23(a), your proposed construction is that the prepayment amount as used in this step is a monetary value associated with the special code. It seems to me that that's a universal definition; that in order for it to be the prepayment amount used in the context of is deposited to the credit of said calling party, then it has a fixed point in time associated with this; whereas, your use of current initial prepayment amount in E, G, and H, as you've just said, seems to have a temporal dimension to it. It strikes me that that renders your 23(a) definition difficult in that it lacks a distinction one way or another as to the temporal scope of 23(a).

MR. BURLING: Yes. When an account is set up, a special code is determined by, for example, a prepaid service provider, and they set up an account and say we have this special code, we're going to associate it with this prepayment amount, which is the amount associated with the code. That is, when that happens is when the account is set up. The prepayment amount need not be, Your Honor, what the customer actually pays, as T-Mobile has contended.

THE COURT: All right.

MR. BURLING: It's the amount deposited if the claim says it 's the amount deposited to credits, so if this depositing stuff happens at a specific point in time, yes, we agree with that, Your Honor.

THE COURT: All right. Thank you.

MS. JOST: The term "prepayment amount" occurs in both Claims 1 and 23, but in Claim 23 it was added by the 1987 amendment. Aerotel added these descriptors "initial" and "current initial." Those terms don't appear in any other claim term, they're not in Claim 1, and they're not used anywhere in the specification. But we still, according to the federal circuit's direction and *Phillips* and elsewhere, have to start with the language of the claim and the clear import of the specification in order to figure out what those terms mean. The construction that we've proposed comports with that requirement.

Aerotel is asking the court to divorce the term "prepayment amount" from the context of the specification, and essentially to make up two constructions of initial and current initial prepayment amount so that Aerotel can capture now in litigation what it wanted to claim but didn't claim.

It helps first to look at the specification where we learn that the customer acquires the special code, the credit amount, and the telephone number of the special exchange offices by either a cash credit or prepayment. There is a clear and unambiguous linking specification between the payment of the amount of money by the customer and the receipt of these three things. And at Column 3, lines 9 through 12, you can see it on the blowup here, the specification makes it very clear that the customer is purchasing these three things.

Now, Aerotel suggests that the prepayment amount doesn't need to be the dollar amount that is paid by the customer or that it can be some variable amount. We have the same section of the specification, the patent teaches that, in lines 12 through 13, that the amount paid, not some other amount, is credited to the acquirer for use against future calls. The credited amount -- again, that's the amount paid -- is stored in the memory of the special central office, along with the special code. So we know that it is the prepayment amount which is used later to process telephone calls. And it's clear, and I'm pointing out particularly to this section of the specification that there are ample references throughout the prosecution history that the prepaid customer and not somebody else is depositing the prepaid amount.

I think it helps to look at Claims 1 and 23 side by side because, again, the federal circuit has instructed that a claimed term must be construed or is presumed to be used consistently across different claim terms.

Looking at Claim 1, there is a requirement that the prepayment amount is the amount paid by the customer. In 1A, the customer is obtaining the special code by depositing a prepayment amount. In Step 1(b), B prepayment amount, and I underline B because just applying the general claim construction principle of antecedent basis, the first time they reference claim term A and then when you reference back so that it's clear that you're referring back to the term used previously, you use the word "the." So in Step B, the prepayment amount is the same prepayment amount referenced in 1(a), and the same thing in Steps 1(h), 1(f), and 1(i). The antecedent basis for the prepayment amount is the amount that is deposited in Step 1(a).

Now, if we turn to Claim 23 on the other side of the screen, we see the same story. In Step A, a prepayment amount is deposited to the credit of the calling party, and then in Step B, the prepayment amount is stored in this memory. That's the same amount that is deposited in Step A.

When we get down to Steps E, G, and H, we have these kind of confusing adjectives that Aerotel added in, yet they're still using "the" to describe this prepayment amount. Simply applying the very basic principle of claimed construction, the antecedent basis for those terms has to be a prepayment amount, the amount deposited by the customer in Step A.

Now, again, the specification doesn't tell us how we're supposed to interpret current initial or initial. So the amount of money deposited by the user has to be the prepayment amount.

Now I want to look back at the prosecution history of Claim 1, because if you look at -- this is a mark up, this is the amendment that Aerotel filed. The additions are underlined and the deletions are bracketed here. You can see if you look at how Claim 1 appears when it was originally filed that Aerotel described in many cases the credit rather than the prepayment amount. That's clear in Step F where Aerotel changed credit to prepayment amount less any deductions for previous calls, and it's clear down in Step 1(i) where Aerotel changed credit to mean the prepayment amount.

Now, it's clear that if Aerotel wanted to claim a variable changing money amount, Aerotel knew how to do it. And if you look at the language of Claim 1 as amended, Aerotel is much more clear. Aerotel simply didn't do that in Claim 23, and Aerotel is stuck with what it claimed.

And I'm not going to drag you through all of the places in the prosecution history where Aerotel repeated the prepayment amount is the amount deposited by the customer. They said it many, many times in their own briefing, and they reiterated that the prepayment amount is made by the customer, and in return the customer gets the special code, the credit amount, and the telephone number of the special exchange. Aerotel made these same arguments in prior litigation.

And, again, we're not asking the court to import anything into the claim. We're simply following the very basic rules of claimed construction. What you claimed is what you get, and when we need to figure out what that claim means, the first and foremost places we look are the explicit language of the claim, the intrinsic record, including the text of the overall invention, and the specification and the prosecution history.

THE COURT: Counsel, the problem with your argument is that you've ask me to basically ignore the language that's found in 23. If I look at G, it says, "When the running cost of the call exceeds the current initial prepayment amount, whichever occurs first."

If I understand your argument, basically, if I deposit $25, they're not having a sale, so I'm not getting 15 minutes for $25 or whatever, or $50 worth of minutes for $25, and it stays that amount as opposed to declines with use, and that's literally what your language says.

MS. JOST: And I think that's what Aerotel is left with, because Aerotel never defined what initial and current initial means, and if we look at the context of the patent in the intrinsic record, it's clear the prepayment amount is a static amount. Now, that doesn't render the claim meaningless, because if you, according to the method described to Claim 23, made a call in which you used the entire prepayment amount, that would be infringing. But again, we're not here to make Aerotel's infringement arguments. They're trying to import, essentially, their infringement arguments into the claims construction. But we're wedded to the language of the claim, and if Aerotel structured Claim 23 in a manner that doesn't capture everything they wanted to capture, they're stuck with it. The court is not permitted in the claim construction phase to broaden the meaning of the claimed term beyond what was claimed.

THE COURT: But the court is also instructed to make use of all the claimed terms in order to understand the particular specification or claim, and it seems to me what you're asking me to do is to seize on A and ignore G, particularly this running cost of the call would just be read out of the language if I adopt your definition.

MS. JOST: I don't think it would be read out. For example, if we look at Claim 1, I have Claims 1 and 23 side by side on the screen so it's a little bit easier. For example, in Claim 1I that reads -- actually, look at H. Monitoring the prepayment amount less deductions for the running cost of the call, and then I, disconnecting said call when the prepayment amount has been spent.

So clearly, at least in Claim 1, the patentee intended that the prepayment amount is going to be used to process these calls. We get into an invalidity issue if we try and make up something for current initial and initial. Because there's no language in the specification that provides a definition for those terms, if they're not encompassed by the specification, then they're new matter and they're prohibited.

So I think we're between a rock and a hard place. We have to construe the claim in the manner that has a fixed prepayment amount, or if current initial prepayment amount and initial prepayment amount aren't described in the patent, they're new matter and the claim is invalid.

THE COURT: All right. Thank you. I believe our next claim term is "monitoring" to which you've devoted ten minutes per side. Mr. Morgan?

MR. MORGAN: Thank you, Your Honor. Your Honor, I have up on the screen Aerotel's construction. Aerotel's construction comes directly out of the patent. You'll note what it talks about is basically the two ways of monitoring. I don't really think there's dispute about what running costs mean, Your Honor, but there's two ways of monitoring described in the patent. Both involve time, both involve money. Monitoring time, which is converted to money, or money which is converted to time, and I'll get into that right now.

The specification describes one way of doing it. It's kind of like a taxi meter, Your Honor, in a sense what one does is one looks at how much money is in the account when the call is to be made, converts that amount of money to talk time. In other words, you know this call is going from

Seattle to Los Angeles, and that costs 20 cents a minute, and you've got $5, or let's say -- let's make it easy. A dollars's worth of money, you've got five minutes to talk.

So what the patent discloses is converting the amount of money in the account to the amount of talk time. And the user actually can be told you've got five minutes.

Then the patent describes that what one does is use what's called a peg counter. A peg counter is like a taxi meter, Your Honor. Telephone calls tend to be billed in increments of one minute, half minute, a second, whatever it is the telephone company wants to have. Most telephone companies actually do it in terms of one minute. A call of 59 seconds is one amount. A call of 63 seconds is different. A call of 69 seconds is really the same cost of a call of 62 seconds. You've gone into the second minute. Kind of like a taxi meter, which runs by tenths of a mile. You get a tenth of a mile, money goes up; you go another tenth of a mile, it goes up again.

What the patent describes is converting money to time, say, like, five minutes. A call goes through. The peg counter is counting the time. This is in Figure 1. The peg counter is counting the time, and that time, every, say, 30 seconds or every minute, sends a signal. That is then compared to the time that the conversation is continued, the call is continued.

So if my call is going on for a minute, the peg counter counts as a minute, has a comparator. The comparator says you have five minutes, you've used up one, the call can continue. That goes on until the peg counter counts to five minutes, at which point it's time to shut the call down. You've monitored the call in terms of its cost by using time. You've converted money into time, and then you'll convert back again when you deduct the money in the account. That's the first way to describe what's described.

The second is actually, again, timing, timing the call, and as the call progresses, converting the time to money and comparing the money to what's in the account. Either way, either way is a time. Either way time is measured. Either way, time is a function of money or vice versa. That's what's described in Figure 1 and Figure 2.

Incidentally, Your Honor asked about can you import Figure 2 from Claim 1. I don't think you can import. What the point is, is that Claim 1, by its description, is sufficiently drawn to include the dedicated phone, for example, in Claim 6. That's what an independent claim means. Claim 23 is like Claim 1 in that regard. You don't import the dedicated phone from Claim 1, but you do recognize that both claims are sufficiently broad, and that's what independent and broad claims are meant to do. The scope of the claim is meant to be able to cover various aspects and embodiments in the patent, and so long as the independent claim is not limited in some way that would exclude those embodiments, then it does include it.

But having looked now at the two ways in which the patent itself describes how you monitor, that then is what we propose as being the construction and continuous or intermittent, and I'll tell you why that is, Your Honor: I think to avoid confusion, primarily for the jury.

The peg counter, like I say, is like a taxi meter. The taxi meter runs up time in increments. It is, however, continuously monitoring the time. So, in fact, the description of the peg counter embodiment does use the word can continuously monitor or continuously compare the times. But the word continuously, just to avoid some confusion, I don't want people to think that continuously means the word -- there are no increments. Everything is measured in increments.

So we then turn to what it is that T-Mobile wants: Accumulate the cost of the call. What they want to do is they continuously calculated the accumulated cost of the call. Now, ironically, calculating the accumulated cost of the call, interestingly enough, is what Figure 2 does, the dedicated embodiment. Now, we've just spent two and a half hours or more listening to T-Mobile try to tell us that you can't use anything out of Figure 2 in these claims, and yet when we come to T-Mobile's construction, that's exactly what they want to do. They want to restrict this claim construction to exclude the Figure 1 operation, the peg counter operation.

I think that just makes it clear what's going on here. We're not really trying to construe these claims to cover the invention. We're trying to construe these claims to not cover T-Mobile. Now, whether or not this would succeed, I don't think it would, but that's a definition for infringement. But in any event, there's two ways to describe monitoring in the patent. We have put those in both ways involve time, both ways involve money. We have put those into our claimed construction. We don't think it's appropriate to try to limit the construction to exclude the very embodiment that they keep saying these claims should relate to. Thank you.

MS. JOST: The parties obviously dispute whether the running cost has to be measured as a monetary amount or whether it can be measured as time. Now, we don't argue that there can't be a time component involved in the manner in which the running cost is measured. But the claimed term is clear, and it's clear taken in the context of the other provisions of Claim 23, that the running cost must be measured as a dollar amount. There's no dispute that in Step 23(g) the running cost of the call has to be compared with the initial prepayment amount, which is also a dollar amount. And then in 23H, the running cost of the call must be deducted from the initial prepayment amount. Again, a dollar amount.

So although the specification doesn't tell us exactly how it's to be measured, it is very clear that it has to be a dollar amount, and it has to be monitored continuously because Step 23(g) requires that the call be disconnected when the running cost of the call exceeds the current initial prepayment amount.

Our construction is simple, and the reason Aerotel objects to it is because they want to import into their claimed construction a doctrine of equivalence argument that they want to make in the infringement phase. They want to be able to argue that measuring time is the equivalent of measuring money. But that's not what the claim says, and that's not -- we're not here to decide Aerotel's infringement argument. The construction proposed by T-Mobile again is supported by the specification and it's consistent with the construction of the claim that Aerotel made in prior litigation.

I wanted to have a chance to show Your Honor the animation that Aerotel showed to the PTO. So on our -- I think this is our Slide 92. This is the animation that Aerotel used to demonstrate to the PTO how their system worked. And you can see, if you look in the special exchange box, the call is connected, the prepayment amount is $5, which corresponds to the $5 prepayment amount up on the prepaid card that's shown at the top. The call has been connected, and as of the very beginning of the call, the running cost is zero. It hasn't started yet. So as we progress through the animation, you can see the running cost of the call, the dial is turning, it's measuring how much of that $5 has been consumed, the running cost goes up to three, and then the animation continues, and when it gets up to $5, the call is disconnected. This is very clearly showing that the running cost is calculated throughout the duration of the call, and it is measured in terms of the monetary amount.

Now, again, I won't go through all the references in the prior art, the references in the prosecution and re-examination history that are in our briefing, but it's very clear from the brief review that each time the cost of the call is discussed, it says it's a monetary amount that's measured against and then deducted from the prepayment amount. Both are dollar values, and the running cost is continuously measured.

So again, the intrinsic record is clear and there's no need to resort to the extrinsic record, but we cite to our brief, and I have a couple of slides showing how the construction proposed by T-Mobile is fully consistent with Aerotel's prior constructions.

And I'll jump to Aerotel's claimed construction in the NACT case. This is Exhibit P at page 7, our Slide 497. Monitoring the running cost of the call in accordance with its duration is construed as the call was monitored to determine whether the ongoing cost of the call would exceed the prepayment amount that was available when the call was initiated.

If we look at the construction that was used in the RSL case, measuring the accumulated cost of the call is a function of duration. It's nearly verbatim, the construction proposed by T-Mobile in this case. And the testimony of Aerotel's expert witnesses is consistent. The running cost of the call, again, a dollar amount is determined as the call progresses. It is how much a carrier is to be paid for carrying a call. And Mr. Chandler explicitly agreed, it was clear there, and he said later on, the running cost of the call in Step G of Claim 23, would that be a monetary amount, yes. In Step H, where the running cost of the call is deducted from the initial prepayment amount, is that a monetary amount? This is on Slide 100, Exhibit CC. Yes, it's a prepayment amount.

So, again, the construction that we propose is simple, it's consistent with the claim, it's supported by the intrinsic record, and it doesn't have the attempt by Aerotel to import its doctrine of equivalence and measured argument.

THE COURT: Counsel, what do you make of the Column 4, line 3, where it describes Block 28 as the normal time and distance computing circuit, and it's shown as a pay counter. It's putting the service to provide information for timing the call against the available credit.

MS. JOST: We don't dispute that time is relevant to the computation of the running cost. And I think the lines that Your Honor referenced in Column 4 and the reference on Figure 1 provides some of the technical aspects of how the running costs might be measured, but the claim language of Claim 23 and, indeed, the other claims in the patent, are very clear that however you get there, the running cost must be determined as a monetary amount. And Aerotel's construction ignores that fact, and is really an effort to be able to argue when they get to the infringement phase, well, you don't have to measure it as money, you can measure it in terms of time, and maybe when you get to the end, you do some sort of tally to convert it back to money. That's reaching beyond what the claim language says, and it's certainly reaching beyond what Aerotel represented to the PTO and in prior litigation. The running cost is a dollar amount, and however you get there, it has to be measured as such.

THE COURT: All right. Thank you, Counsel. Counsel, I believe we've worked our way up to deducting, which is Claim 23H. Mr. Morgan.

MR. MORGAN: Yes, Your Honor. As one would expect, deducting happens to be closely related to monitoring, and the obvious reason I say that is that, as the patent explains, when you use the first method where you time the call and you converted your money to time and you time the call, at the end of the call, you then subtract.

Now, ironically here, again, this is where it becomes very strange. Ironically here, T-Mobile is saying that you deduct at the end of the call. That happens to be what's disclosed in the first method I described where you convert the time, you measure the time, and then you deduct. So what they've done is taken a piece out of the second method where you're actually continuously calculating the cost and subtracting it as the call goes on. They've taken that out of the second method, because that's what they likely say for the element of monitoring, and then go back to the first method and say, well, the deduction happens at the end. This is the ultimate of picking and choosing. I mean, we're at least trying to be consistent.

So what they've done, Your Honor, is said to you, in the first place use the method of second embodiment, use the method that continuously calculates and subtracts. That's what they say they're monitoring. And, of course, when you do that, you don't have to subtract anything at the end of the call. It's already been done. But when it comes to the end of the call, go ahead and subtract, which is the first method. Totally antithetical. So basically what they've done is their construction of deducting is absolutely antithetical to the construction of monitoring.

The simple fact is both ways are disclosed. Both ways, and this is the words in the claim, monitor the running cost in accordance with its duration. Your Honor, that's what the claim says. I can't imagine anything more in accordance with its duration than monitoring the time, and when the duration of the time reaches a limit you've set that says you've got no more money, you shut the call off. That's method one. In accordance with its duration. It's not monitoring the cost in accordance with its time charge. It's monitoring its cost in accordance with its duration. That's exactly what it says.

Interestingly enough, that's also consistent with the prior statements that counsel just referred to. If you look at them carefully, you see not one of them says you actually monitor costs as it goes. Each of them talks about, for example, the call is monitored -- this is page 97, she said -- the call is monitored to determine whether the ongoing cost of the call will exceed the prepayment amount. That is what is accomplished whether you do it by timing, by time, how much available talk time you have. That is accomplished whether you do it by actually subtracting as you go and calculating. So the very statements that counsel is referring to that were made by Aerotel in the past, they'll support either their monitoring our deducting argument; they, in fact, support what we're saying.

What we're saying is there's two ways of doing this. Either one assures and determines whether the call will exceed -- the cost of the call will exceed the amount of money. Either one. In the first one, you deduct at the end of the call. Why? Because during the call, what you have calculated is the timing of the call, and you've assessed the time against the available time determined from how much credit was in the account.

So at the end of the call, that's what you have to figure -- that's when you have to then deduct the amount of the call, because you haven't been doing -- you haven't been deducting the cost as you went along, in the first method. You've been comparing the time of the call to the available talk time, which is determined in terms of money. In the second method, you actually do the deduction as the call progresses. As the call progresses, the deductions are made, and when it hits zero, you stop.

So you've got two methods. Both do exactly what Aerotel said to the patent office. Both are exactly what Aerotel's experts said and exactly what Aerotel said in the previous litigations. Both do exactly what this claim says, monitoring the cost in accordance with the call duration. And then how do you deduct it? In one, you deduct at the end. That's where you just time the call against the available talk time. And the other, you deduct as the call continues. That's when you actually time the call and convert the time as it runs into money and deduct. Figure 1, Figure 2. Thank you.

MS. JOST: Your Honor, monitoring the running cost of the call means measuring it. Deducting from the initial prepayment amount the running cost of the call means deducting the running cost of the call. There are two separate steps of Claim 23, Claims 23(f) and 23(h), and counsel is trying to collapse those two.

There is no support for making the deduction while the call is ongoing, and Aerotel repeatedly said both in the specification and in its representations to the PTO and other courts that the running cost is deducted at the end of the call. Aerotel now disputes that because, again, they want to make their infringement arguments about how T-Mobile's wireless system works.

I won't go through this in detail, but if you look at the text that the prosecution applies, there are temporal signals. Finally, the system deducts from the initial prepayment amount the running cost of the call. In the 2001 reply, when the prepayment amount has been spent, the call is then disconnected; on the other hand, if the caller hangs up, in other words, the call is terminated before the prepayment amount has been spent, the prepaid credit balance is reduced by the cost of the call.

Aerotel made these same representations in the prior litigation -- and it's verbatim, so we don't have to go through the slide -- in the NACT case and the RSL case. There's no suggestion that there can be a deduction while the call is ongoing. And in the Verizon case, Aerotel's expert, John Donovan, in Exhibit Y, agreed that deducting -- at the bottom of the page on the left -- deducting from the initial prepayment amount the running cost of the call, that would be done after G, right? He agrees: "Yes. It's kind of like the amount of run. The past tense cost of the call. The call is over, and the running cost is then deducted."

Mr. Chandler agreed with the same thing -- this is his claimed construction report -- in the Verizon case as well. Looking at 23H, deducting from the initial prepayment amount the running cost of the call. The interpretation at the end of the call, the total cost is debited. The prepaid wireless methodology is trying to read it on the accused system in that case. When a call is completed, the running cost of the call is computed in the event the account balance is debited. There's simply nothing there in the specification or otherwise that shows the deduction that is made while the call is ongoing.

And I did want to return to just one point. Counsel suggested that there's an inconsistency between T-Mobile's argument that, I think, relates to insisting that the running cost of the call be measured as a monetary amount. But then perhaps backing away from the language of Column 4 that discusses the peg counter, I want to make sure there's no confusion about what a peg counter is.

A peg counter is not simply a timer. It actually has lodging in it. It is a comparator. There is a calculation that is being done by the peg counter. We're not left with merely some computation of time. When Step 23(f) is performed, the running costs must be portrayed as a dollar amount. And then when you get to 23H, at the end of the call, that dollar amount, the accumulated cost of the call, is deducted from the prepayment amount.

This is straight from the intrinsic record and straight from Aerotel's constructions in prior litigation, and we don't see anything other than Aerotel's most recent extrinsic evidence to contradict that.

THE COURT: All right. Mr. Morgan, who wants to sum up for your side?

MR. MORGAN: I will, Your Honor, I guess by default, since I'm the oldest.

Your Honor, what we've tried to do, summing up in our constructions, is to propose constructions that are consistent with what the federal circuit told us to do in Phillips, are consistent with and describe the invention, the invention as disclosed. They are consistent with and supported by the claim language. We try to go through the claim language, what words are there, what words aren't there.

So what words aren't there are what seem to be causing T-Mobile so much problem that they want to add them. The claim language from different claims, the fact that Claims 1 and 9 are limited to a particular aspect of the invention, that requires any available telephone, and Claim 23 is not. And, frankly, it's hard for somebody, I think, to argue that any available telephone issue is merely, merely -- I love that word -- in a preamble, when, in fact, it relied upon heavily throughout the prosecution. And the very explicit words were relied upon heavily by both the patent office and Aerotel for purposes of finding distinctions and understanding claims.

Thus, we've construed special exchange as it should be. We've construed it consistent with the invention. The invention itself is not limited to only any available telephone. Invention itself is broader than that, and the patent describes the broader aspects of it, the way it can be made broader.

Claim 23 covers the full breadth of the invention. Counsel noted Claim 23 was added. That's not unusual, especially in situations where a patent application is brought in, for example, from someone from a foreign country. Attorney looks at it and realizes the full breadth of the invention needs to be claimed, and the full breadth of the invention goes beyond any available telephone.

Whether or not any available telephone is a requirement, that is not a definition and does not define special exchange. It was never done so in the patent office. I recall back in the patent office, special exchange, any available telephone was treated separately, treated separately in the general discussion and treated definitely separately in talking about the claims.

So Claim 23, again, Your Honor, and what we've tried to do in our constructions is recognize that it is written to be sort of the full scope of the invention, not to be limited to particular details and particular any available telephone detail.

Now, T-Mobile says, geez, Your Honor, this patent, why, it was written back in 1985. There weren't any cell phones, and if there were, they were the size of a suitcase. Well, you know, it doesn't matter when the patent was written; it's what the invention is that matters. And the invention doesn't care whether you use a landline telephone or a cell telephone. The invention enables a very successful, Your Honor -- and I must tell you, people who do cell telephone systems have taken licenses with this patent just like a landline and have taken settlements.

The invention enables a very successful system for using prepaid -- for having prepaid telephone services, and it doesn't care whether those prepaid telephone services are cellular or landline or satellite, for all I know. What it cares about is how you go about doing it and the steps going about doing it. The invention concept is the same regardless of what system you're in.

That's what's got T-Mobile, I think, disturbed is that they come along in 2000 or whenever it is, and sure, telephone systems have evolved. But the invention itself, because of its scope and its breadth and what it does, is broad enough and is viable and is usable and has been used in all kinds of telephone systems, whether they're cellular or anything else.

So what are we here about? Okay. It's time to bite the middle claims, it's time to find stuff we can cram into those claims that aren't there in Claim 23. It's time to take the word any available telephone, which isn't in there, and somehow find a way to cram it in there.

When I started a long time ago, I had a mentor, an older lawyer who used to use a phrase in briefs called gossamer affection. I asked him what that was. He said it's when you take a piece there, a piece there, a piece there, and you cobble together what at first glance looked like a decent argument. But when you start to take the pieces apart and when you go and look carefully at what the patent office itself actually said, the gossamer confection proves gossamer and falls apart. That's what we're looking at. A piece there, a piece there. Try to pull it together and you go read what was actually said, it falls apart.

Words like "dial," we didn't have to go outside the patent to find dial. Again, it's the invention. The patent describes and uses that term. It talks about a redialer. A redialer, Your Honor, doesn't push any buttons. A redialer isn't pushed by the user. A redialer is a piece of software and hardware that receives information and sends out signals. Nobody pushes any buttons. It's not the user doing it, it's the system doing it. And the patent calls that dialing. We didn't reach somewhere to try to find some weird definition of dialing. We looked at how the patent used it.

T-Mobile, well, it's got to be a push button, it's got to be a rotary thing, basically trying to find a common thing some people might think about without taking into account what the patent says and, in fact, not just the patent, what the technology says.

First, Aerotel didn't make up a redialer. They've been around for a long, long time. Aerotel didn't make up the use of the world "dial" to describe the sending of signals. It's the redialer. We tried to be consistent. And at bottom, what we're trying to do is provide constructions that are consistent with and describe the invention and are consistent with the record, intrinsic and the extrinsic record.

And, again, the fact that that invention -- I won't call it precedent, but if you look around and see how much -- how pervasive this technology in prepaid has become, perhaps it was precedent. It is still as valuable today as it was back then. It is important, and we shouldn't let people who have used it try to, in effect, put a straightjacket on it, slice off an arm here and there, add an antenna that doesn't belong there, and turn it into something that is not the invention, nor to say that they are not using it.

So in short, I think what we've done is try to come up with a fair and a consistent and viable construction for a very good invention. I think what we've seen on the T-Mobile side is virtually every possible thing that they could drag into those claims, from the disclosure, from anyplace else, they have tried to drag in. Claim construction is not an exercise in dragging limitations of disclosure. Thank you, Your Honor.

MS. JOST: Your Honor, the '275 patent issued from an application filed in 1985 and expired in 2005. The federal circuit has an abundance of clarity that the claimed terms must always be construed first looking at the words of the claims given the plain meaning as would have been understood by one skilled in art at the time of the invention and read in view of the specification.

As the federal circuit constructed, the construction that stays true to the claimed language and most naturally aligned with the patent's description of the invention will be in the end the correct construction.

A patent is limited to what is claimed, and T-Mobile's proposed constructions are supported by the words of the claims themselves, the specifications, and by the very extensive record that we have in the case, the prosecution history, and the re-examination history. They don't seek to engraft any limitation on the claimed terms at issue, rather they are seeking to ground the construction of the asserted claim in the clear language and context of the claim specification, and to hold Aerotel to the disclaimers and the admissions that it had made before to the PTO and in prior litigation.

And it's critical to the proper construction of to this patent to keep in mind what Aerotel itself claimed it intended. This invention is concerned with telephone systems, and more particularly, with telephone system wherein when a prepayment is in force, the prepaid party can use any telephone to make calls, including cell calls. That's the description of the invention, and that is the common thread that runs through all of the claims, all of the specifications in the prosecution history.

The federal circuit has instructed courts that it is improper to construe the claims with an aim to either include or exclude an accused system, but that's exactly what Aerotel tries to do. Every one of Aerotel's proposed claim constructions tries to twist the claim of Claim 23, which describes a wire line base, 1-800 prepaid card method of making prepaid calls, around T-Mobile's wireless approach to making prepaid telephone calls.

And we heard counsel repeatedly throughout the arguments today, when asked to point to places in the specification or in the intrinsic record supporting their construction, instead turned to the discussion of T-Mobile's accused system. That's improper. And it's irrelevant for purposes of claimed construction what T-Mobile's system does or does not do. It's only relevant to consider the system for purposes of providing a context for the construction of the claims.

Aerotel is veering far beyond that limit. Aerotel is essentially asking the court to ignore the context and logic of the claims and the specification, and to set aside the entire intrinsic record of Aerotel's prior statements.

They're trying to divorce the plain from the context in order to set up their infringement arguments, and that's simply improper.

To give you an idea of why they're making the claims, I want to reference the T-Mobile system, not to give you a guide as to how to construe the claims, but at least to try to put some of these arguments in context.

T-Mobile's wireless prepaid system can't be accessed to make a prepaid call from any phone. To make a prepaid call using the T-Mobile system, you have to have, as I said earlier, a wireless device that is activated on T-Mobile's network and that is associated with a T-Mobile prepaid account. T-Mobile doesn't have any special exchange that can be reached for purposes of making a call by dialing its number, and the user experience, when a user makes a prepaid call, is like any other cell phone: They dial the number they want to call and push send. There's no code input, there is no special exchange dialed in the manner described by the '275 patent.

Aerotel is reaching. To try to stretch Claim 23 around the system, Aerotel is turning its back on the language of the claims and is instead looking exclusively, at least in its briefing, to the declaration of Mr. Chandler, which is extrinsic evidence created solely for the purpose of litigation, and which, because it conflicts with not just with the claims in the intrinsic record, but also Aerotel's representations in prior litigation, the court is obligated to disregard that. And the federal circuit has directed that that conflicting extrinsic testimony must be disregarded in *Phillips* and *Medtronics*, and more recently in the *1-800 Adept* case.

The public knows the functions in the patent case history requires that now T-Mobile's construction be adopted because they are consistent with the entire record.

THE COURT: Thank you, Counsel. The court will take this matter under advisement. We will endeavor to get you a ruling in terms of the construction in a timely fashion. Other than that, thank you very much. I've found the argument helpful this morning. We'll be in recess.

(THE PROCEEDINGS CONCLUDED.)

C E R T I F I C A T E

I, Nancy L. Bauer, CCR, RPR, Court Reporter for the United States District Court in the Western District of Washington at Seattle, do hereby certify that I was present in court during the foregoing matter and reported said proceedings stenographically.

I further certify that thereafter, I have caused said stenographic notes to be transcribed under my direction and that the foregoing pages are a true and accurate transcription to the best of my ability.

Dated this 12th day of November 2009.

/S/ Nancy L. Bauer

Nancy L. Bauer, CCR, RPR
Official Court Reporter